Group annual financial statements and other information

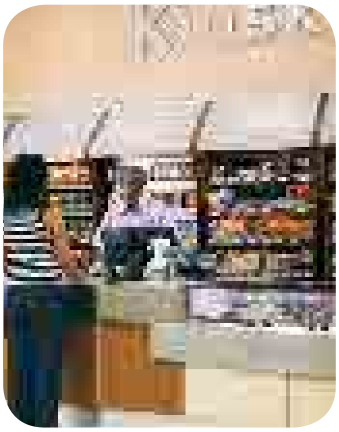
Contents

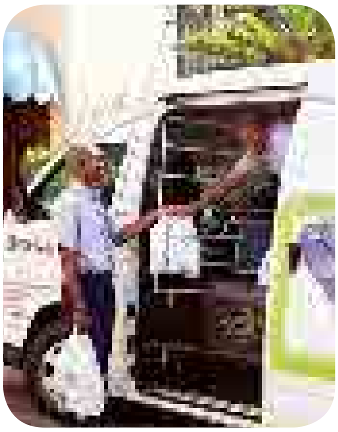
Pick n Pay Stores Limited and its subsidiaries

Reg. No. 1968/008034/06
Share code: PIK ISIN code: ZAE 000005443

Pick n Pay Holdings Limited and its subsidiaries

Reg. No. 1981/009610/06
Share code: PWK ISIN code: ZAE 000005724





Other information

Directors' responsibility for the Company and Group annual financial statements

Pick n Pay Stores Limited and its subsidiaries

The directors are responsible for the preparation and fair presentation of the Company and Group annual financial statements, comprising the directors' report, balance sheets at 28 February 2009, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the Company's and Group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Directors' approval and Company Secretary's certificate

Pick n Pay Stores Limited and its subsidiaries

DIRECTORS' APPROVAL

The directors acknowledge and accept full responsibility for the preparation and integrity of the information presented in the Company and Group annual financial statements.

These Company and Group annual financial statements of Pick n Pay Stores Limited, which have been prepared in accordance with the Companies Act of South Africa and comply with International Financial Reporting Standards, were approved by the Board of directors on 4 May 2009 and are signed on their behalf by:

Raymond Ackerman
Chairman

Nick Badminton
Chief Executive Officer

Dennis Cope
Chief Finance Officer

COMPANY SECRETARY'S CERTIFICATE

In terms of section 268G(d) of the Companies Act 61 of 1973, as amended, I certify that Pick n Pay Stores Limited has lodged with the Registrar of Companies all such returns as are required by the Companies Act, and that all such returns are true, correct and up to date.

Gary Lea
Company Secretary

4 May 2009

Independent auditor's report

Pick n Pay Stores Limited and its subsidiaries

TO THE MEMBERS OF PICK N PAY STORES LIMITED

We have audited the Company and Group annual financial statements of Pick n Pay Stores Limited which comprise the balance sheets at 28 February 2009, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 56 to 107.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Stores Limited at 28 February 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per **Patrick Farrand**
Chartered Accountant (SA)
Registered Auditor
Director
4 May 2009

MSC House
Mediterranean Street
Cape Town
8001

Directors' report

for the year ended 28 February 2009

Pick n Pay Stores Limited and its subsidiaries

NATURE OF BUSINESS

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE Limited, the recognised securities exchange in South Africa, is an investment holding company. The Group comprises trading subsidiaries that retail food, clothing and general merchandise throughout southern Africa and in New South Wales, Australia, both on an owned and franchise basis. Subsidiary companies also on occasion acquire and develop strategic retail and distribution sites.

GENERAL REVIEW

The Group income statement is presented on page 58 and reflects the Group's operational results.

The Group's headline earnings from continuing operations and dividends paid for the year are as follows:

Per share – cents	2009	% Increase	2008
Diluted headline earnings (note 6)	**230.62**	18.1	195.28*
Headline earnings (note 6)	**232.48**	13.4	204.94*
Dividends**	**170.00**	14.0	149.10

*Restated – please refer to note 31 for details of the restatement of prior year figures.

**The dividend per share presented is the interim dividend paid in the current year and the final dividend declared after year-end, but in respect of current year profit.

AUDIT, RISK AND COMPLIANCE COMMITTEE

We draw your attention to the Audit, Risk and Compliance Committee section of the corporate governance review on pages 41 and 42 where we set out the responsibilities of the committee and how it has discharged these responsibilities during the year.

DIVIDENDS PAID AND DECLARED

A cash dividend (number 80) of 118.00 cents per share was paid to shareholders on 17 June 2008.

A cash dividend (number 81) of 35.75 cents per share was paid to shareholders on 15 December 2008.

For further details refer to note 7.

The directors have declared a cash dividend (number 82) of 134.25 cents per share. The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2009. Shares will trade EX dividend from the commencement of business on Monday, 8 June 2009 and the record date is Friday, 12 June 2009. The dividend will be paid on Monday, 15 June 2009. Share certificates may not be dematerialised or rematerialised between Monday, 8 June 2009 and Friday, 12 June 2009, both dates inclusive.

As dividend number 82 was declared on 21 April 2009 it will only be accounted for in the 2010 financial year. The declaration of this dividend will result in a charge for secondary tax on companies of R63.8 million, which will be accounted for in the 2010 financial year.

SHARE CAPITAL

The issued ordinary share capital remained unchanged during the year at 506 133 882 shares.

At year-end a subsidiary company held 25 736 561 (2008: 25 736 561) treasury shares in the Company. These repurchases were implemented in accordance with a general authority granted by shareholders.

In addition to the above, as at year-end, the Pick n Pay Employee Share Purchase Trust held 7 614 604 (2008: 9 723 673) shares in the Company and 10 418 493 (2008: 11 228 333) shares in Pick n Pay Holdings Limited, which are accounted for as treasury shares. These shares are held to meet obligations of options granted. A second subsidiary company also holds 1 708 203 (2008: 1 680 303) shares in Pick n Pay Holdings Limited, which are also accounted for as treasury shares.

GOING CONCERN

These annual financial statements have been prepared on the going-concern basis.

The board has performed a formal review of the Group's ability to continue trading as a going concern in the foreseeable future and, based on this review; consider that the presentation of the financial statements on this basis is appropriate.

There are no pending or threatened legal or arbitration proceedings which have had or may have a material effect on the financial position of the Company or the Group.

SPECIAL RESOLUTIONS

On 11 June 2008 the Company's shareholders approved the following special resolution:

General authority to repurchase Company shares

It was resolved that the Company or any of its subsidiaries may, in accordance with sections 85 and 89 of the Companies Act, acquire issued shares of the Company or its holding company, upon such terms and conditions and in such amounts as the directors of the Company may determine from time to time. Acquisition of such shares is subject to the Articles of Association of the Company, the provisions of the Companies Act and the Listings Requirements of the JSE Limited ("JSE"), and provided further that acquisitions by the Company and its subsidiaries of shares in the Company may not, in the aggregate, exceed in any one financial year 5% of the Company's issued share capital.

Subsidiary companies special resolutions

100%-owned subsidiary companies, Bedworth Sentrum (Pty) Limited, Pick n Pay (Steeledale) (Pty) Limited and Pick n Pay (Steelpark) (Pty) Limited passed special resolutions in terms of section 228 of the Companies Act, to sell their only asset being investment property.

DIRECTORS AND SECRETARY

In terms of the Company's Articles of Association the directors listed on page 128 retire by rotation and they offer themselves for re-election. Information pertaining to the directors and the Company Secretary appear on pages 12 to 14.

HOLDING COMPANY

The holding company is Pick n Pay Holdings Limited.

DIRECTORS' INTEREST IN SHARES

	2009 %	2008 %
Beneficial	**0.8**	0.7
Non-beneficial	**28.0**	28.1
Total	**28.8**	28.8

The directors' interest in shares is their effective direct shareholding in the Company (excluding treasury shares) and their effective indirect shareholding through Pick n Pay Holdings Limited (excluding treasury shares).

SUBSIDIARY COMPANIES

Details of subsidiary companies are presented in note 21.

BORROWINGS

The Group's overall level of debt decreased from R717.7 million to R716.4 million during the year.

SUBSEQUENT EVENTS

There have been no facts or circumstances of a material nature that have arisen between the financial year-end and the date of this report.

Income statements

for the year ended 28 February 2009

Pick n Pay Stores Limited and its subsidiaries

	Notes	GROUP 2009 Rm	GROUP 2008 Rm Restated*	COMPANY 2009 Rm	COMPANY 2008 Rm
Continuing operations					
Revenue	1	**50 135.8**	42 677.2	**774.2**	672.3
Turnover		**49 862.1**	42 474.3	**—**	—
Cost of merchandise sold		**(40 404.7)**	(34 216.2)	**—**	—
Gross profit		**9 457.4**	8 258.1	**—**	—
Other trading income	1	**201.8**	157.9	**—**	—
Trading expenses		**(7 958.9)**	(6 894.3)	**(1.6)**	(2.0)
Employee costs		**(4 624.0)**	(4 050.3)	**—**	—
Occupancy		**(1 071.2)**	(971.4)	**—**	—
Operations		**(1 414.1)**	(1 198.0)	**—**	—
Merchandising and administration		**(849.6)**	(674.6)	**(1.6)**	(2.0)
Loss on sale of equipment and vehicles		**(13.7)**	(4.4)	**—**	—
Trading profit/(loss)		**1 686.6**	1 517.3	**(1.6)**	(2.0)
Interest received		**71.9**	45.0	**—**	1.3
Interest paid		**(107.5)**	(79.2)	**—**	(1.6)
Profit on sale of property		**68.7**	—	**—**	—
Profit on sale of stores		**15.1**	47.0	**—**	—
Operating profit/(loss)	2	**1 734.8**	1 530.1	**(1.6)**	(2.3)
Dividends received		**—**	—	**774.2**	671.0
Impairment of investment in associate	11	**—**	(9.1)	**—**	—
Profit before tax		**1 734.8**	1 521.0	**772.6**	668.7
Tax	5.1	**(568.0)**	(556.3)	**—**	(1.9)
Profit for the year from continuing operations		**1 166.8**	964.7	**772.6**	666.8
Loss for the year from discontinued operation	18	**(118.5)**	(31.3)	**—**	—
Profit for the year		**1 048.3**	933.4	**772.6**	666.8
Earnings/(losses) per share – cents					
Basic	6	**222.23**	205.43		
Continuing operations		**247.35**	212.31		
Discontinued operation		**(25.12)**	(6.88)		
Diluted	6	**220.45**	195.75		
Continuing operations		**245.37**	202.30		
Discontinued operation		**(24.92)**	(6.55)		

*Please refer to note 31 for details of the restatement of prior year figures.

Balance sheets

as at 28 February 2009

Pick n Pay Stores Limited and its subsidiaries

	Notes	GROUP 2009 Rm	GROUP 2008 Rm Restated*	COMPANY 2009 Rm	COMPANY 2008 Rm
Assets					
Non-current assets					
Intangible assets	8	**1 093.6**	1 155.9	**—**	—
Property, equipment and vehicles	9	**2 937.0**	2 802.5	**—**	—
Investments	10	**0.2**	0.2	**0.2**	0.2
Interest in subsidiaries	21	**—**	—	**257.8**	263.2
Loans	12	**128.6**	120.7	**—**	—
Operating lease asset	24.1	**19.3**	10.9	**—**	—
Participation in export partnerships	13	**57.9**	61.5	**—**	—
Deferred tax	14	**99.8**	105.8	**—**	—
		4 336.4	4 257.5	**258.0**	263.4
Current assets					
Inventory	15	**3 334.5**	3 028.5	**—**	—
Trade and other receivables	16	**1 769.5**	1 243.9	**—**	0.1
Tax	5.4	**—**	—	**1.9**	1.9
Cash and cash equivalents	17	**1 072.8**	663.2	**—**	—
Assets held for sale – discontinued operation	18	**62.6**	—	**—**	—
		6 239.4	4 935.6	**1.9**	2.0
Total assets		**10 575.8**	9 193.1	**259.9**	265.4
Equity and liabilities					
Capital and reserves					
Share capital	19	**6.3**	6.3	**6.3**	6.3
Share premium		**121.7**	121.7	**121.7**	121.7
Treasury shares	20.1	**(743.6)**	(814.3)	**—**	—
Accumulated profits		**2 035.5**	1 652.8	**130.0**	135.6
Foreign currency translation reserve		**275.6**	374.4	**—**	—
Total shareholders' equity		**1 695.5**	1 340.9	**258.0**	263.6
Non-current liabilities					
Long-term debt	22	**678.1**	681.3	**—**	—
Retirement scheme obligations	23.5	**8.2**	49.0	**—**	—
Operating lease liability	24.2	**658.5**	626.9	**—**	—
		1 344.8	1 357.2	**—**	—
Current liabilities					
Short-term debt	22	**38.3**	36.4	**—**	—
Trade and other payables	25	**7 315.8**	6 209.2	**1.9**	1.8
Tax	5.4	**181.4**	249.4	**—**	—
		7 535.5	6 495.0	**1.9**	1.8
Total equity and liabilities		**10 575.8**	9 193.1	**259.9**	265.4

*Please refer to note 31 for details of the restatement of prior year figures.

Statements of changes in equity

for the year ended 28 February 2009

Pick n Pay Stores Limited and its subsidiaries

	Notes	Share capital Rm	Share premium Rm	Equity element of convertible debentures Rm	Treasury shares Rm	Share-based payment reserve Rm	Accumulated profits Rm	Foreign currency translation reserve Rm	**Total Rm**
GROUP									
At 1 March 2007 – as previously stated		6.1	26.0	16.0	(630.2)	68.0	1 342.4	187.1	**1 015.4**
Changes in accounting policy	31.2						(51.6)		**(51.6)**
Reclassifications	31.3					(68.0)	68.0	(18.8)	**(18.8)**
At 1 March 2007 – as restated		6.1	26.0	16.0	(630.2)	—	1 358.8	168.3	**945.0**
Total recognised income and expense for the year		—	—	—	—	—	933.4	206.1	**1 139.5**
Profit for the year*							933.4		**933.4**
Gains and losses recognised directly in equity:									
Foreign currency translation*								206.1	**206.1**
Dividends paid	7						(614.9)		**(614.9)**
Issue of share capital		0.2	95.7	(16.0)					**79.9**
Share repurchases	20.1				(299.6)				**(299.6)**
Net effect of settlement of employee share options	20.1				115.5		(69.7)		**45.8**
Share options expense*	4.3						45.2		**45.2**
At 29 February 2008		6.3	121.7	—	(814.3)	—	1 652.8	374.4	**1 340.9**
Total recognised income and expense for the year							1 048.3	(98.8)	**949.5**
Profit for the year							1 048.3		**1 048.3**
Gains and losses recognised directly in equity:									
Foreign currency translation								(98.8)	**(98.8)**
Dividends paid	7						(717.8)		**(717.8)**
Share repurchases	20.1				(21.6)				**(21.6)**
Net effect of settlement of employee share options	20.1				92.3		(6.9)		**85.4**
Share options expense	4.3						59.1		**59.1**
At 28 February 2009		**6.3**	**121.7**	**—**	**(743.6)**	**—**	**2 035.5**	**275.6**	**1 695.5**
COMPANY									
At 1 March 2007		6.1	26.0	16.0	—	—	141.4	—	**189.5**
Total recognised income and expense for the year									
Profit for the year							666.8		**666.8**
Dividends paid	7						(672.6)		**(672.6)**
Issue of share capital		0.2	95.7	(16.0)					**79.9**
At 29 February 2008		6.3	121.7	—	—	—	135.6	—	**263.6**
Total recognised income and expense for the year									
Profit for the year							772.6		**772.6**
Dividends paid	7						(778.2)		**(778.2)**
At 28 February 2009		**6.3**	**121.7**	**—**	**—**	**—**	**130.0**	**—**	**258.0**

*Please refer to note 31 for details of the restatement of prior year figures.

Cash flow statements

for the year ended 28 February 2009

Pick n Pay Stores Limited and its subsidiaries

	Notes	GROUP 2009 Rm	GROUP 2008 Rm Restated*	COMPANY 2009 Rm	COMPANY 2008 Rm
Cash flows from operating activities					
Trading profit/(loss)		**1 686.6**	1 517.3	**(1.6)**	(2.0)
Loss on sale of equipment and vehicles		**13.7**	4.4	**—**	—
Depreciation and amortisation	2	**615.8**	481.9	**—**	—
Share options expense	4.3	**59.1**	45.2	**—**	—
Net operating lease obligations		**33.4**	31.5	**—**	—
Cash generated/(utilised) before movements in working capital		**2 408.6**	2 080.3	**(1.6)**	(2.0)
Movements in working capital		**221.0**	(489.9)	**0.2**	(0.1)
Increase/(decrease) in trade and other payables		**1 157.8**	487.2	**0.1**	(0.3)
Increase in inventory		**(415.2)**	(704.9)	**—**	—
(Increase)/decrease in trade and other receivables		**(521.6)**	(272.2)	**0.1**	0.2
Amounts received from/(advanced to) a subsidiary company	21.2	**—**	—	**5.4**	(63.1)
Cash generated by/(utilised in) trading activities		**2 629.6**	1 590.4	**4.0**	(65.2)
Interest received		**71.9**	45.0	**—**	1.3
Interest paid		**(107.5)**	(79.2)	**—**	(1.6)
Cash generated by/(utilised in) operations		**2 594.0**	1 556.2	**4.0**	(65.5)
Dividends received		**—**	—	**774.2**	671.0
Dividends paid	7	**(717.8)**	(614.9)	**(778.2)**	(672.6)
Tax paid	5.4	**(567.7)**	(504.0)	**—**	(1.2)
Net cash from/(used in) operating activities – continuing operations		**1 308.5**	437.3	**—**	(68.3)
Net cash (used in)/from operating activities – discontinued operation	18	**(56.1)**	8.5	**—**	—
Total net cash from/(used in) operating activities		**1 252.4**	445.8	**—**	(68.3)
Cash flows from investing activities					
Intangible asset additions	8.2	**(66.1)**	(157.4)	**—**	—
Property additions	9	**(52.3)**	(107.5)	**—**	—
Proceeds on disposal of property		**78.0**	50.6	**—**	—
Equipment and vehicle additions	9	**(884.1)**	(587.0)	**—**	—
Proceeds on disposal of equipment and vehicles		**21.8**	—	**—**	—
Loans advanced		**(7.9)**	(11.9)	**—**	—
Net cash used in investing activities – continuing operations		**(910.6)**	(813.2)	**—**	—
Net cash from/(used in) investing activities – discontinued operation	18	**68.9**	(9.3)	**—**	—
Total net cash used in investing activities		**(841.7)**	(822.5)	**—**	—
Cash flows from financing activities					
Debt (repaid)/raised		**(1.3)**	484.2	**—**	(11.6)
Issue of shares		**—**	79.9	**—**	79.9
Share repurchases	20.1	**(21.6)**	(299.6)	**—**	—
Proceeds from employees on settlement of share options		**31.3**	45.8	**—**	—
Net cash from financing activities – continuing operations		**8.4**	310.3	**—**	68.3
Net cash from financing activities – discontinued operation	18	**—**	—	**—**	—
Total net cash from financing activities		**8.4**	310.3	**—**	68.3
Net increase/(decrease) in cash and cash equivalents		**419.1**	(66.4)	**—**	—
Cash and cash equivalents at 1 March		**663.2**	709.1	**—**	—
Effect of exchange rate fluctuations on cash and cash equivalents		**(9.5)**	20.5	**—**	—
Cash and cash equivalents at 28 February	17	**1 072.8**	663.2	**—**	—

*Please refer to note 31 for details of the restatement of prior year figures.

Accounting policies

Pick n Pay Stores Limited and its subsidiaries

Pick n Pay Stores Limited is domiciled in South Africa. The consolidated financial statements of the Company for the year ended 28 February 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in its associate, TM Supermarkets (Pvt) Limited.

The financial statements were approved by the directors and authorised for issue on 4 May 2009.

These consolidated financial statements are presented in South African rands, which is the Company's functional currency. All financial information has been rounded to the nearest million, unless otherwise stated.

They are prepared on the historical-cost basis except for:

- assets held for sale measured at fair value
- derivative financial instruments at fair value through profit and loss.

All accounting policies have been applied consistently by all Group companies.

Non-current assets and asset disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The consolidated and separate financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IFRS).

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, and associated assumptions, are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 4 – measurement of share-based payments

Note 8.1 – measurement of the recoverable amounts of cash-generating units containing goodwill

Note 8.2 – estimates of useful lives and residual values of software development (intangible assets)

Note 9 – estimates of useful lives and residual values of property, equipment and vehicles

Note 11 – the impairment review undertaken in respect of our foreign associate in Zimbabwe

Note 14 – the recognition of deferred tax assets

Note 16 – the estimation of the impairment provision for trade receivables

Note 18 – the classification of Score Supermarkets Operating Limited as a discontinued operation

Note 22 – classification of finance leases

Note 23.5 – measurement of defined benefit obligations

Note 24 – classification of operating leases

Note 31 – changes in accounting policies specific to IAS 2 and related prior year adjustments

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements. Certain comparative amounts have been reclassified to conform with the current year's presentation (refer to note 31). In addition, the comparative income statement has been represented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (refer to note 18).

BASIS OF CONSOLIDATION

Investment in subsidiaries

The Group financial statements include the financial statements of the Company and the entities that it controls. Control is achieved where the Company has the power directly or indirectly to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements of the Group, from the date that control commences until the date that control ceases.

As the Company controls the Pick n Pay Employee Share Purchase Trust ("share trust"), this entity has been consolidated into the Group financial statements.

The Company carries its investments in subsidiaries at cost less impairment losses.

Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of the associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its investment in an associate, the Group's carrying amount of that interest (including any long-term loans considered as part of the net investment) is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

The Group performs an annual impairment review on its investment in its associate, TM Supermarkets (Pvt) Limited, in Zimbabwe. Although the associate is making profits in Zimbabwe, there are a number of other factors which have been taken into account in determining the fair carrying value of this investment. There is an uncertain economic and social climate in Zimbabwe and a lack of available foreign exchange. As a result, the Group is unable to remit dividends from Zimbabwe and therefore the investment is being reflected at a carrying value of Rnil.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

INTANGIBLE ASSETS

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is stated at cost less any accumulated impairment losses. For the purposes of annual impairment testing, goodwill is allocated to the Group's subsidiaries (cash-generating units) which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The underlying key assumptions of the tests of impairment include, but are not limited to, profit and cash forecasts discounted at an appropriate rate. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Negative goodwill arising on an acquisition is charged directly to the income statement.

In respect of acquisitions prior to 1 March 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under SA GAAP.

Development costs

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the income statement when incurred.

Intangible assets acquired and subsequent expenditure

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Where payments are made for the acquisition of trademarks or brand names, the amounts are capitalised and amortised over their anticipated useful lives. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. No valuation is made of internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks or brand names is expensed in full in the income statement.

Amortisation

Intangible assets are amortised over their anticipated useful lives from the date that the assets are available for use.

The current estimated useful life of SAP software development costs is seven years.

Intangible assets with an indefinite useful life and intangible assets not yet brought into use are systematically tested for impairment at each balance sheet date.

PROPERTY, EQUIPMENT AND VEHICLES

Property owned by the Group is classified as owner-occupied property and is shown at cost less accumulated depreciation and impairment losses.

Equipment, vehicles and aircraft are stated at cost less accumulated depreciation and impairment losses.

The cost of property, equipment, vehicles and aircraft includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

The Group recognises in the carrying amount of property, equipment, vehicles and aircraft the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in the income statement as an expense as incurred.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, equipment, vehicles and aircraft. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Where significant components of an item of property, equipment, vehicles and aircraft have different useful lives, they are accounted for as separate assets.

The estimated useful lives for the current and comparative years are as follows:

Buildings	40 years
Major property components	10 to 20 years
Furniture and fittings	5 to 10 years
Computer equipment	2 to 7 years
Vehicles	4 to 5 years
Aircraft and major components	7 to 20 years

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. If the expected residual value of an asset is equal to or greater than its carrying value, depreciation on that asset is ceased. Depreciation is resumed when the expected residual value falls below the asset's carrying value.

Gains and losses on disposal of an item of property, equipment, vehicles and aircraft are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised directly in the income statement.

ASSETS HELD FOR SALE

Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

LEASES

Finance leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee.

Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance lease assets are carried at the initial recognised amount less accumulated depreciation and impairment losses.

Finance lease assets are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Service contracts dependent on specific underlying assets

Where the Group enters into a contract that depends on the use of a specific asset and that contract conveys the right to control the specific asset, the arrangement is treated as a lease. Recognition criteria in terms of IAS 17: Leases are applied to determine whether the arrangement should be treated as a finance lease or an operating lease.

INVENTORY

Inventory comprises merchandise for resale and consumables. Inventory is measured at the lower of cost and net realisable value. Cost is calculated on the weighted-average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, including distribution costs, and is stated net of relevant purchase incentives. The cost of merchandise sold includes shrinkage, waste and other inventory losses.

During the year the Group reviewed its interpretation of IAS 2 in respect of the accounting of incentive income and distribution costs. Please refer to note 31 for further information on the financial effect of these changes in interpretation.

Obsolete, redundant and slow-moving items are identified on a regular basis and are written down to their estimated net realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

GUARANTEES

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

These financial guarantees are classified as insurance contracts as defined in IFRS 4: Insurance Contracts. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the balance sheet date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Group performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liabilities is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group discounts all the expected contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made.

FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, investments, trade receivables, loans, participation in export partnerships, trade and other payables and interest-bearing debt.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

These financial instruments are recognised initially at fair value. For instruments not recognised at fair value through the income statement, any directly attributable transaction costs are included.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

The subsequent measurement of financial instruments is stated below:

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. Cash and cash equivalents comprise cash on hand and amounts held on deposit at financial institutions. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Investments

Investments are classified as available-for-sale assets. Listed investments are valued at market value, which is calculated by reference to stock exchange quoted selling prices at the close of business at the balance sheet date. Other investments are shown at fair value. Gains and losses are recognised directly in equity in the revaluation reserve.

Trade receivables and loans

Trade receivables and loans are measured at amortised cost less impairment losses.

Participation in export partnerships

Participation in export partnerships is a financial asset that is best classified as receivables originated by the Group and was initially measured at the fair value of the consideration given. Subsequent to initial measurement, the participation in export partnerships is measured at amortised cost using the effective interest rate method. All gains and losses on subsequent measurement are recognised in the income statement.

Trade and other payables

Trade and other payables are recognised at amortised cost.

Debt

Debt is carried at amortised cost. Convertible debentures, that can be converted to share capital where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. The equity element of convertible debentures, shown as a reserve in equity, is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest rate method.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in fair value are recognised in profit or loss.

IMPAIRMENT OF ASSETS

Financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the income statement. When a decline in the fair value of an available-for-sale asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is transferred to the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the income statement.

Non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (or groups of units) and then to reduce the carrying value of the other assets in the unit (or groups of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss for a financial asset is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

An impairment loss for a non-financial asset is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

TREASURY SHARES

Shares in the Company held by Group entities are classified as treasury shares. These shares are treated as a deduction from the weighted average number of shares in issue and the cost price of the shares is deducted from equity in the statement of changes in equity. The Pick n Pay Holdings Limited shares held by Group entities have been treated as treasury shares. Dividends received on treasury shares are eliminated on consolidation.

When treasury shares are sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Upon settlement (take-up) of share options by employees, the difference between the proceeds received from the employees and the purchase price of the shares is accounted for directly in accumulated profits.

TURNOVER

Turnover comprises retail sales to consumers and wholesale sales to franchisees through the Group's supply arrangements. All turnover is stated exclusive of value-added tax.

TRADING PROFIT

Trading profit is net income and expenditure from trading operations, excluding interest received, interest paid and any profits or losses on the sale of investments and stores.

OPERATING PROFIT

Operating profit is trading profit, including interest received, interest paid and any profits or losses on the sale of stores.

REVENUE RECOGNITION

Turnover

Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of returns, and is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income

Interest income is recognised on a time basis, by reference to the principal amounts outstanding and at the interest rate applicable.

Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

Incentive income

Incentive income and franchise fee income is recognised when the purchase/sale which gives rise to the income takes place.

Lease income

Income from operating leases in respect of property is recognised on a straight-line basis over the term of the lease.

BORROWING COSTS

Borrowing costs are recognised as incurred as an expense in the income statement and are accrued on a time basis by reference to the principal amounts outstanding and at the interest rate applicable.

TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment of tax payable for previous years.

Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that neither affects accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is charged to the income statement, except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reviewed at each balance sheet date and are expensed to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary tax on companies

Secondary tax on companies ("STC") on net dividends paid is recognised as a tax charge in the year it is incurred. To the extent that it is probable that STC credits will be utilised, a deferred tax asset is raised.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency

Transactions denominated in foreign currencies are translated to the functional currency of the Company and to the respective functional currencies of the Group entities at the rates of exchange ruling on the dates of the transactions. Gains and losses arising from such transactions are recognised in the income statement on settlement date or balance sheet date, whichever is the earlier.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the rates of exchange ruling at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the period.

The net effect of unrealised exchange rate differences is recognised in the income statement in the period in which they occur, except for differences arising on the translation of available-for-sale equity instruments, which are recognised directly in equity.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the monthly weighted average rate of exchange for the year. Profits and losses arising on the translation of assets and liabilities of foreign entities are taken directly to equity and shown separately in a foreign currency translation reserve.

EMPLOYEE BENEFITS

The cost of all short-term employee benefits is recognised as an expense during the year in which the employee renders the related service.

Liabilities for employee entitlements to wages, salaries, annual and sick leave represent the amount which the Group has a present obligation to pay as a result of employee services provided to the balance sheet date to the extent that such obligation can be reliably estimated.

The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Share-based payment transactions

The share ownership programme allows Group employees to acquire shares in Pick n Pay Holdings Limited and Pick n Pay Stores Limited.

The fair value of options granted after 7 November 2002 is recognised as an employee expense with a corresponding increase in equity. This treatment is consistently applied throughout the Group for both Pick n Pay Stores Limited and Pick n Pay Holdings Limited shares. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an actuarial binomial option pricing model, taking into account the terms and conditions upon which the options are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to share prices not achieving the threshold for vesting.

A vested share option is "taken up" when the Group delivers the share to the employee on receipt of payment of the grant (strike) price.

Retirement benefits

The Group operates several retirement schemes comprising a number of defined-contribution funds (one of which has a defined-benefit element), the assets of which are held in separate trustee-administered funds.

The retirement schemes are largely non-contributory and are funded by payments from the relevant Group companies.

Defined-contribution plans

A defined-contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined-contribution retirement plans are recognised as an expense in the income statement when they are due.

Where the Group is responsible for providing retirement benefits to employees with a retirement scheme outside the Group, contributions are made on behalf of the employee and the cost is accounted for in the year in which the payment is made.

Defined-benefit plans

A defined benefit plan is a post-employment benefit plan which is not a defined-contribution plan.

The Group's net obligation in respect of the defined-benefit is calculated separately by estimating the amount of future benefit that qualifying employees have earned in respect of their service to date; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by an actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses are recognised in the income statement as incurred.

ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

CAPITALISATION SHARE AWARDS AND CASH DIVIDENDS

The full value of capitalisation share awards and cash dividends are recorded as a deduction from accumulated profits in the statement of changes in equity. Upon allotment of shares in terms of a capitalisation share award, the share election amounts are transferred to the share capital account and share premium account. Cash dividends and the related STC charge are accounted for in the year of declaration.

EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) information for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is represented as if the operation had been discontinued from the start of the comparative period.

SEGMENTAL REPORTING

A segment is a distinguishable component of the Group that is engaged in providing related products (business segment), or in providing products within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those other segments. The Group's primary format for segment reporting is based on geographic segments.

Notes to the annual financial statements

for the year ended 28 February 2009

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2009 Rm	GROUP 2008 Rm Restated*	COMPANY 2009 Rm	COMPANY 2008 Rm
1. REVENUE				
Revenue as previously reported		47 466.5		
Prior year adjustments:				
Discontinued operation (note 31.1)		(2 950.4)		
Changes in accounting policy (note 31.2)		(1 838.9)		
Revenue as restated	**50 135.8**	42 677.2	**774.2**	672.3
Comprising:				
Turnover	**49 862.1**	42 474.3	**—**	—
Interest received	**71.9**	45.0	**—**	1.3
Dividends received	**—**	—	**774.2**	671.0
Other trading income	**201.8**	157.9	**—**	—
Franchise fee income	**166.4**	120.6	**—**	—
Property lease income	**35.4**	37.3	**—**	—
2. OPERATING PROFIT/(LOSS)				
Operating profit/(loss) is stated after taking into account the following expenses/(income):				
Auditors' remuneration	**8.4**	6.5		
Audit	**6.5**	5.5		
Other	**1.9**	1.0		
Amortisation of intangible assets	**57.3**	28.4		
Depreciation	**558.5**	453.5		
Land and buildings – owned	**20.8**	23.8		
Furniture and fittings, computer equipment and vehicles – owned	**502.1**	398.7		
Equipment and vehicles – leased	**29.6**	25.0		
Aircraft	**6.0**	6.0		
Interest received – cash balances	**(71.9)**	(45.0)		
Interest paid	**107.5**	79.2		
Finance leases	**17.4**	12.8		
Overdrafts	**34.6**	22.5		
Loans	**55.5**	43.9		
Inventory – movement in provision for impairment	**(4.7)**	(8.5)		
Operating lease charges	**819.1**	741.7		
Property – minimum lease payments	**791.9**	720.3		
– turnover clause payments	**27.2**	21.4		
Leases contained within service agreements	**59.9**	54.5		
Contributions to defined-contribution plans	**249.6**	189.0		

*Please refer to note 31 for details of the restatement of prior year figures.

3. DIRECTORS' REMUNERATION AND INTEREST IN SHARES

3.1 Directors' remuneration

Directors' remuneration in the Group financial statements, as paid by a subsidiary company, is detailed below.

	Fees for board meetings R'000	Fees for committee and other work R'000	Remuneration R'000	Retirement and medical contributions R'000	Performance bonus* R'000	Fringe and other benefits R'000	Cash total R'000	IFRS 2: expense relating to share options granted R'000
2009								
Non-executive directors								
Gareth Ackerman**	**240.0**	**270.0**					**510.0**	
René de Wet**^	**50.0**						**50.0**	
Hugh Herman**	**240.0**	**180.0**					**420.0**	
Constance Nkosi	**240.0**	**50.0**					**290.0**	
David Robins***	**—**	**—**	**480.0**	**96.4**	**—**	**1 550.3**	**2 126.7**	**(1 020.3)**
Ben van der Ross	**240.0**	**80.0**					**320.0**	
Jeff van Rooyen	**240.0**	**200.0**					**440.0**	
	1 250.0	**780.0**	**480.0**	**96.4**	**—**	**1 550.3**	**4 156.7**	**(1 020.3)**
Executive directors								
Raymond Ackerman**	**1.5**	**—**	**2 700.0**	**30.3**	**—**	**220.2**	**2 952.0**	**—**
Wendy Ackerman**	**1.5**	**—**	**600.8**	**—**	**200.0**	**103.6**	**905.9**	**—**
Nick Badminton	**1.5**	**—**	**3 030.0**	**537.8**	**3 000.0**	**253.1**	**6 822.4**	**3 949.2**
Dennis Cope	**1.5**	**—**	**1 647.0**	**319.5**	**1 600.0**	**248.3**	**3 816.3**	**704.3**
	6.0	**—**	**7 977.8**	**887.6**	**4 800.0**	**825.2**	**14 496.6**	**4 653.5**
Total remuneration	**1 256.0**	**780.0**	**8 457.8**	**984.0**	**4 800.0**	**2 375.5**	**18 653.3**	**3 633.2**
2008								
Non-executive directors								
Gareth Ackerman**	240.0	330.0					570.0	
René de Wet**^	240.0	190.0					430.0	
Hugh Herman**	240.0	190.0					430.0	
Constance Nkosi	240.0	50.0					290.0	
David Nurek^	240.0	320.0					560.0	
Ben van der Ross	240.0	140.0					380.0	
Jeff van Rooyen	240.0	200.0					440.0	
	1 680.0	1 420.0	—	—	—	—	3 100.0	—
Executive directors								
Raymond Ackerman**	1.5	—	2 655.5	27.8	—	235.2	2 920.0	—
Wendy Ackerman**	1.5	—	557.6	—	150.0	102.1	811.2	—
Nick Badminton	1.5	—	2 670.0	572.7	300.0	278.1	3 822.3	3 293.0
Dennis Cope	1.5	—	1 522.5	351.8	250.0	214.1	2 339.9	763.7
David Robins	1.5	—	1 416.0	334.3	240.0	211.3	2 203.1	560.5
	7.5	—	8 821.6	1 286.6	940.0	1 040.8	12 096.5	4 617.2
Total remuneration	1 687.5	1 420.0	8 821.6	1 286.6	940.0	1 040.8	15 196.5	4 617.2

* The performance bonus relates to the amount provided for in the current financial year.
** Also directors of Pick n Pay Holdings Limited.
*** David Robins retired as an executive director effective 11 June 2008. From 1 March 2008 to 11 June 2008 he received a salary in his capacity as an executive director. Fringe and other benefits include an amount of R1 488.1 in respect of an early retirement settlement. The reversal of the IFRS2 charge relates to the share options forfeited.
^ Retired from the Pick n Pay Stores board effective 30 April 2008.

3. DIRECTORS' REMUNERATION AND INTEREST IN SHARES *(continued)*

3.2 Share options in the Company held by directors

1997 Share Option Scheme

	Year granted	Option grant (strike) price R	Balance held at 1 March 2008	Granted during the year	Taken up in year at grant price	Forfeited during the year	**Balance held at 28 February 2009**	Value of options exercised* Rm	Available for take-up
Nick Badminton	2003	10.00	100 000				**100 000**		Now
	2003	10.00	100 000				**100 000**		May 2009
	2005	16.00	75 000				**75 000**		Now
	2006	20.70	120 773				**120 773**		Now
	2006	22.30	500 000**				**500 000**		June 2010
	2007	28.00	32 143				**32 143**		Now
	2007	28.00	24 107				**24 107**		April 2009
	2007	28.00	24 107				**24 107**		April 2010
	2007	29.95	200 000				**200 000**		January 2010
	2007	29.95	150 000				**150 000**		January 2012
	2007	29.95	150 000				**150 000**		January 2014
	2007	29.95	500 000				**500 000**		January 2012
	2008	31.15	32 103				**32 103**		April 2009
	2008	31.15	24 077				**24 077**		April 2010
	2008	31.15	24 077				**24 077**		April 2011
	2009	26.56	—	4 519			**4 519**		May 2010
	2009	26.56	—	3 389			**3 389**		May 2011
	2009	26.56	—	3 388			**3 388**		May 2012
	2009	26.84	—	250 000			**250 000**		October 2011
	2009	26.84	—	250 000			**250 000**		October 2013
	2009	26.84	—	250 000			**250 000**		October 2015
			2 056 387	761 296	—	—	**2 817 683**	—	
Dennis Cope	2004	12.00	150 000		(150 000)		**—**	2.8	
	2004	12.00	100 000				**100 000**		April 2010
	2005	16.00	40 625				**40 625**		Now
	2006	20.70	48 309				**48 309**		Now
	2006	22.30	250 000**				**250 000**		June 2010
	2007	28.00	12 857				**12 857**		Now
	2007	28.00	9 643				**9 643**		April 2009
	2007	28.00	9 643				**9 643**		April 2010
	2008	31.15	12 841				**12 841**		April 2009
	2008	31.15	9 631				**9 631**		April 2010
	2008	31.15	9 631				**9 631**		April 2011
	2009	26.56	—	6 025			**6 025**		May 2010
	2009	26.56	—	4 519			**4 519**		May 2011
	2009	26.56	—	4 518			**4 518**		May 2012
			653 180	15 062	(150 000)	—	**518 242**	2.8	

*The value of options exercised is equal to the market value of the shares on the date taken up less the purchase price of those options.

**The exercising of these options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option.

3. DIRECTORS' REMUNERATION AND INTEREST IN SHARES *(continued)*

3.2 Share options in the Company held by directors

1997 Share Option Scheme *(continued)*

	Year granted	Option grant (strike) price R	Balance held at 1 March 2008	Granted during the year	Taken up in year at grant price	Forfeited during the year	**Balance held at 28 February 2009**	Value of options exercised* Rm	Available for take-up
David Robins***	2004	12.00	41 667				**41 667**		Now
	2005	16.00	25 000				**25 000**		Now
	2006	20.70	28 986				**28 986**		Now
	2006	22.30	200 000**			(200 000)	**—**		—
	2007	28.00	7 857				**7 857**		Now
	2007	28.00	5 893				**5 893**		Now
	2007	28.00	5 893			(5 893)	**—**		—
	2008	31.15	7 705				**7 705**		Now
	2008	31.15	5 778			(5 778)	**—**		—
	2008	31.15	5 779			(5 779)	**—**		—
			334 558	—	—	(217 450)	**117 108**	—	

*The value of options exercised is equal to the market value of the shares on the date taken up less the purchase price of those options.
**The exercising of these options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option.
***All options were issued to David Robins while in his capacity as an executive director.

For directors' share options in Pick n Pay Holdings Limited refer to page 118.

3.3 Directors' direct interest in shares – all held beneficially

	Balance held at 1 March 2008	Additions during the year	Average purchase price per share R	Disposals during the year	Average selling price per share R	**Balance held at 28 February 2009**
Gareth Ackerman	43	—	—	—	—	**43**
Raymond Ackerman	43	—	—	—	—	**43**
Wendy Ackerman	43	—	—	—	—	**43**
Nick Badminton	878 408	—	—	—	—	**878 408**
Dennis Cope	828 480	150 000	12.00	—	—	**978 480**
David Robins	333 604	—	—	—	—	**333 604**

Except for the indirect interest in the shares of the Company through Pick n Pay Holdings Limited no other directors have either a direct beneficial or non-beneficial interest in the shares of the Company.

4. SHARE-BASED PAYMENTS

The Group operates the 1997 Employee Share Option Scheme ("the Scheme") in order to facilitate broad-based employee share ownership and to foster trust and loyalty amongst employees. The Scheme incentivises key management and staff by providing them with an opportunity to acquire shares in the Group thereby aligning their interests with shareholders and at the same time encouraging employee retention.

The Scheme is administered by the Employee Share Purchase Trust and its Board of Trustees. All options are granted in accordance with the rules of the Scheme, which have been approved by the shareholders and the JSE Limited.

All options are granted at a 5% discount (10% discount in prior year) to the volume-weighted average market price (VWAP) for the 20 trading days preceding the option grant date.

At the Group's AGM on 11 June 2008, certain amendments to the Share Scheme were approved by shareholders. One of the amendments introduced the "net-settling" of share options. All share options granted after 11 June 2008 will, at the time of exercise by the employee, be automatically net-settled by the Company. This means that at the time of the exercise of an option, the employee will only receive so many shares (at current value) as represents the gain in the value of the option. For all options granted prior to 11 June 2008, the employee can choose whether to net-settle the options, or whether to pay the purchase price in full to take-up the total allotment of shares.

All vested share options have to be exercised, paid for (or net-settled) and taken up within 10 years of the grant date. The directors are authorised to utilise up to 13.3% of the issued share capital for the Scheme.

The Scheme grants the following options to employees:

Service Share Options – are granted to all permanent employees who have been with the Group for five years and further options are granted every five years thereafter.

Service share options may be taken up immediately on granting.

Status Share Options – are granted to employees who attain floor manager status and further options are granted at each promotion to higher levels of management.

Status share options may be taken up in three tranches as follows:
40% after 3 years
30% after 5 years
30% after 7 years

Further share allocations are also made for the retention of key executives, with longer vesting dates of up to 10 years.

Executive Share Options – are granted to senior executives. These five-year options may only be taken up when prescribed performance conditions linked to the growth of the Company's share price are met. If the conditions are not met, these options are automatically forfeited. Should further performance hurdles be achieved, discounted grant prices may apply.

	COMPANY 2009 Number of options 000's	COMPANY 2008 Number of options 000's
4. SHARE-BASED PAYMENTS *(continued)*		
4.1 Outstanding share options		
Movement in the total number of share options granted is as follows:		
At 1 March	**32 891.5**	29 478.4
New options granted*	**15 969.8**	7 201.7
Options taken up**	**(2 891.0)**	(3 042.8)
Options forfeited	**(1 180.6)**	(745.8)
At 28 February	**44 789.7**	32 891.5

Outstanding options may be taken up during the following financial years:

Year	Average grant price	2009 Number of options 000's
2010	R21.35	**21 548.0**
2011	R26.54	**5 351.0**
2012	R29.34	**3 335.3**
2013	R26.95	**3 755.5**
2014 and thereafter	R27.27	**10 799.9**
		44 789.7

	2009	2008
Percentage of issued shares	**8.8%**	6.5%
Options available for granting under current authorisation	**22 526.1**	34 424.3
*Average grant price of options granted during the year	**R26.44**	R30.96
**Average grant price of options taken up during the year	**R11.28**	R10.85

For the movement in the number of Pick n Pay Holdings Limited (PIKWIK) share options granted, please refer to note 6 of the Pick n Pay Holdings Limited financial statements.

For details of share options held by directors refer to note 3.2.

	2009 Number of shares 000's	2008 Number of shares 000's
The Employee Share Purchase Trust, which administers the 1997 Employee Share Option Scheme, holds the following number of ordinary shares:		
As a hedge against share options granted or to be granted by that Scheme, reflected as treasury shares	**7 614.6**	9 723.7
On behalf of share purchase scheme participants	**189.1**	223.4
	7 803.7	9 947.1

4. SHARE-BASED PAYMENTS *(continued)*

4.2 Fair value

The Group accounts for share option expenses in accordance with IFRS 2: Share-based Payments, which requires the fair value of share options granted to employees to be valued at the grant date and expensed through the income statement over the vesting period of the option.

The fair value of each option grant in Pick n Pay Stores Limited (PIK) and Pick n Pay Holdings Limited (PWK) has been estimated on the grant date using an actuarial binomial option-pricing model. The assumptions used in determining the fair value of the options granted in each financial year are as follows:

Financial year of grant	Options granted	Number of options granted 000's	Expected life of options Years	Share price at grant date	Grant price	Expected volatility[a]	Expected dividend yield[b]	Risk-free rate[c]
2003	PIK	617.6	4 – 8	R12.15 – R13.90	R11.00 – R12.50	39.74 – 39.78	3.32 – 3.70	9.88 – 10.52
2004	PWK	862.4	1 – 8	R5.43 – R5.85	R5.10 – R5.25	19.34 – 41.65	3.24 – 5.66	9.67 – 10.96
2004	PIK	5 232.3	2 – 8	R11.67 – R16.35	R10.50 – R14.85	30.66 – 39.78	3.79 – 3.86	8.70 – 10.62
2005	PIK	4 381.5	2 – 8	R17.16 – R23.10	R16.00 – R21.00	28.48 – 39.33	3.76 – 4.32	7.58 – 9.95
2006	PIK	12 969.7	2 – 8	R23.25 – R31.00	R21.00 – R27.90	22.61 – 35.94	3.80 – 4.23	7.15 – 8.01
2007	PWK	860.8	1	R14.84	R13.25	18.94	3.98	8.37
2007	PIK	5 866.5	2 – 7	R25.80 – R34.10	R25.00 – R29.75	22.35 – 35.50	3.65 – 4.34	6.97 – 8.70
2008	PWK	708.8	1	R14.84	R13.25	19.41	3.98	8.37
2008	PIK	7 201.7	2 – 8	R32.15 – R38.22	R29.75 – R33.95	23.00 – 39.78	3.61 – 3.70	7.40 – 8.86
2009	PWK	787.0	1	R12.90	R11.33	20.56	4.31	9.94
2009	PIK	15 969.8	3 – 10	R26.00 – R38.05	R24.15 – R33.95	22.78 – 42.29	3.10 – 4.35	7.16 – 13.46

[a] The expected volatility is determined based on the rolling historical volatility over the expected option term that prevailed at the grant date.
[b] The expected dividend yield is the best estimate of the forward-looking dividend yield over the expected life of the option. This has been estimated by reference to the historical average dividend yield during the period preceding the grant, equal to the vesting period of the grant.
[c] The risk-free rate is the yield on zero-coupon South African Government bonds of a term consistent with the estimated option term.

	GROUP 2009 Rm	2008 Rm
4.3 Share-based payment expense		
Total expensed to date – 1 March	**113.2**	68.0
Share options expense for the year	**59.1**	45.2
Total expensed to date – 28 February	**172.3**	113.2
At 28 February, the share options expense to be recognised in future financial years, in respect of all options granted since 2003, is:		
Within 1 year	**56.9**	41.0
Within 2 to 5 years	**94.1**	66.5
After 5 years	**18.2**	3.7
Total expense still to be recognised	**169.2**	111.2
Total financial impact of share-based payments	**341.5**	224.4

	GROUP 2009 Rm	GROUP 2008 Rm Restated*	COMPANY 2009 Rm	COMPANY 2008 Rm
5. TAX				
5.1 Tax recognised in the income statement				
South African normal tax				
– current year	**484.0**	470.6	—	—
– prior year (over)/under provision	**(0.7)**	1.9	—	1.9
Deferred tax (note 14)				
– current year	**13.0**	11.1	—	—
Secondary tax on companies				
– current year	**71.7**	72.7	—	—
	568.0	556.3	—	1.9
Comprising:				
As previously stated		557.6		
Prior year adjustment (note 31.2)		(1.3)		
5.2 Tax recognised directly in equity				
Tax effect of share incentive transactions recorded directly in equity	**(54.1)**	—	—	—
	%	%	**%**	%
5.3 Statutory tax rate	**28.0**	29.0	**28.0**	29.0
Exempt income	**(2.8)**	(1.4)	**(28.1)**	(29.1)
Secondary tax on companies	**4.1**	4.9	—	—
Non-deductible share options expense	**1.0**	0.9	—	—
Other non-deductible expenditure	**0.5**	0.8	**0.1**	0.1
Impairment of investment	—	0.2	—	—
Change in future tax rate	—	0.3	—	—
Net prior year (over)/under provision	**(0.1)**	0.1	—	0.3
Other	**2.0**	1.8	—	—
Effective tax rate	**32.7**	36.6	—	0.3
	Rm	Rm	**Rm**	Rm
5.4 Tax paid comprises:				
Owing – 1 March as previously stated		225.5		
Prior year adjustment (note 31.2)		(16.6)		
Owing to/(due from) – 1 March as restated	**249.4**	208.9	**(1.9)**	(2.6)
Movement through income statement				
Current tax charge	**483.3**	472.5	—	1.9
Secondary tax on companies	**71.7**	72.7	—	—
Movement through equity				
Tax effect of share incentive transactions recorded directly in equity	**(54.1)**	—	—	—
(Owing to)/due from – 28 February	**(181.4)**	(249.4)	**1.9**	1.9
Total tax paid	**568.9**	504.7	—	1.2
Comprising:				
Continuing operations	**567.7**	504.0	—	1.2
Discontinued operation	**1.2**	0.7	—	—

*Please refer to note 31 for details of the restatement of prior year figures.

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2009 Cents per share	2008 Cents per share Restated*
6. BASIC, HEADLINE AND DILUTED EARNINGS/(LOSSES) PER SHARE		
Basic (note 6.1)	**222.23**	205.43
Continuing operations	**247.35**	212.31
Discontinued operation	**(25.12)**	(6.88)
Headline (note 6.1)	**208.19**	198.06
Continuing operations	**232.48**	204.94
Discontinued operation	**(24.29)**	(6.88)
Diluted basic (note 6.2)	**220.45**	195.75
Continuing operations	**245.37**	202.30
Discontinued operation	**(24.92)**	(6.55)
Diluted headline (note 6.2)	**206.53**	188.73
Continuing operations	**230.62**	195.28
Discontinued operation	**(24.09)**	(6.55)
6.1 Basic and headline earnings per share	**Rm**	Rm
The calculation of basic earnings (profit for the year) per share and headline earnings per share is based on:		
Basic earnings (profit for the year)	**1 048.3**	933.4
Headline earnings	**982.1**	899.9
and:	**Number of shares 000's**	Number of shares 000's
The weighted average number of ordinary shares in issue during the year	**471 728.2**	454 369.2
Reconciliation between basic and headline earnings:	**Rm**	Rm
Basic earnings (profit for the year)	**1 048.3**	933.4
Adjustments (net of tax):	**(66.2)**	(33.5)
Loss on sale of equipment and vehicles	**13.7**	4.4
Loss on sale of equipment and vehicles – discontinued operation	**3.9**	—
Profit on sale of property	**(68.7)**	—
Profit on sale of stores	**(15.1)**	(47.0)
Impairment in investment in associate	**—**	9.1
Headline earnings	**982.1**	899.9
	Number of shares 000's	Number of shares 000's
Movement in the weighted average number of ordinary shares in issue comprises:		
At 1 March	**454 369.2**	456 137.4
Effect of current year share issue	**—**	3 287.7
Effect of prior year share issue	**16 712.3**	—
Effect of current year share repurchases by the share trust	**(288.5)**	(6 337.0)
Effect of share sales on the take-up of share options	**1 343.0**	1 422.8
Prior year net share repurchases now fully weighted	**(407.8)**	(141.7)
At 28 February	**471 728.2**	454 369.2

*Please refer to note 31 for details of the restatement of prior year figures.

	GROUP 2009 Rm	GROUP 2008 Rm Restated*
6. BASIC, HEADLINE AND DILUTED EARNINGS/(LOSSES) PER SHARE *(continued)*		
6.2 Diluted basic and headline earnings per share		
The calculation of diluted basic earnings per share and diluted headline earnings per share is based on:		
Diluted basic earnings	**1 048.3**	934.4
Diluted headline earnings	**982.1**	900.9
and:	**Number of shares 000's**	Number of shares 000's
The diluted weighted average number of ordinary shares in issue during the year	**475 533.9**	477 305.8
	Rm	Rm
Reconciliation between basic and diluted basic earnings:		
Basic earnings (profit for the year)	**1 048.3**	933.4
Debenture interest after tax	**—**	1.0
Diluted basic earnings	**1 048.3**	934.4
Headline earnings adjustments (note 6.1)	**(66.2)**	(33.5)
Diluted headline earnings	**982.1**	900.9
	Number of shares 000's	Number of shares 000's
Reconciliation of the weighted average number of ordinary shares in issue for diluted earnings per share:		
Weighted average number of ordinary shares in issue (note 6.1)	**471 728.2**	454 369.2
Shares issued on conversion of debentures	**—**	16 712.3
Dilutive effect of share options	**3 805.7**	6 224.3
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	**475 533.9**	477 305.8
Refer to note 19 for the number of shares in issue.		

	GROUP AND COMPANY 2009 Cents per share	GROUP AND COMPANY 2008 Cents per share
7. DIVIDENDS		
Number 80 – declared 21 April 2008 – paid 17 June 2008	**118.00**	107.25
Number 81 – declared 20 October 2008 – paid 15 December 2008	**35.75**	31.10
Total dividends for the year – Company	**153.75**	138.35
	Rm	Rm
Total dividends paid by the Company	**778.2**	672.6
Dividends paid to Group entities	**(60.4)**	(57.7)
Total dividends paid outside the Group	**717.8**	614.9

*Please refer to note 31 for details of the restatement of prior year figures.

Pick n Pay Stores Limited and its subsidiaries

		GROUP	
		2009 Rm	2008 Rm
8.	**INTANGIBLE ASSETS**		
8.1	**Goodwill**		
	At 1 March	857.5	714.3
	Foreign currency translation effect	(65.7)	143.2
	Carrying value at 28 February	791.8	857.5
	Comprising:		
	Boxer group	137.1	137.1
	Franklins group	654.7	720.4
	In accordance with the Group's accounting policies, an impairment test of goodwill has been performed. The cash-generating units to which goodwill has been allocated have been identified as subsidiaries.		
	The recoverable amounts for both Boxer and Franklins were based on the value in use.		
	The results of a detailed five year cash flow forecast, together with a terminal cash flow estimate, discounted at 10% per annum after tax, did not identify any impairment in goodwill.		
8.2	**Software development**		
	Cost		
	At 1 March – as previously stated		204.0
	Correction of classification of computer equipment (note 31.4)		(31.4)
	At 1 March – as restated	349.1	172.6
	Additions	66.1	163.0
	Continuing operations	66.1	157.4
	Discontinued operation	—	5.6
	Foreign currency translation effect	(7.7)	13.5
	At 28 February	407.5	349.1
	Accumulated amortisation		
	At 1 March	50.7	13.7
	Amortisation charge for the year	57.9	32.7
	Continuing operations	57.3	28.4
	Discontinued operation	0.6	4.3
	Foreign currency translation effect	(2.9)	4.3
	At 28 February	105.7	50.7
	Carrying value at 28 February	301.8	298.4
	Total intangible assets	1 093.6	1 155.9

	GROUP			
	Land and buildings Rm	Furniture and fittings, computer equipment and vehicles Rm	Aircraft Rm	**Total 2009 Rm**
9. PROPERTY, EQUIPMENT AND VEHICLES				
2009				
Cost				
At 1 March 2008	938.0	4 385.6	70.4	**5 394.0**
Additions	52.3	884.1	—	**936.4**
Transferred to held for sale	—	(539.5)	—	**(539.5)**
Disposals	(19.9)	(330.7)	—	**(350.6)**
Foreign currency translation	(6.9)	(65.4)	—	**(72.3)**
At 28 February 2009	963.5	4 334.1	70.4	**5 368.0**
Accumulated depreciation				
At 1 March 2008	89.4	2 478.9	23.2	**2 591.5**
Transferred to held for sale	—	(476.9)	—	**(476.9)**
Disposals	(10.6)	(237.5)	—	**(248.1)**
Depreciation charge for the year	20.8	573.4	6.0	**600.2**
Continuing operations	20.8	531.7	6.0	**558.5**
Discontinued operation	—	41.7	—	**41.7**
Foreign currency translation	—	(35.7)	—	**(35.7)**
At 28 February 2009	99.6	2 302.2	29.2	**2 431.0**
Carrying value at 28 February 2009	863.9	2 031.9	41.2	**2 937.0**
Owned	863.9	1 893.5	41.2	**2 798.6**
Leased*	—	138.4	—	**138.4**
Directors' valuation of property at 28 February 2009	1 318.1			
2008				
Cost				
At 1 March 2007	817.8	3 753.7	70.4	**4 641.9**
Additions	107.5	590.7	—	**698.2**
Continuing operations	107.5	587.0	—	**694.5**
Discontinued operation	—	3.7	—	**3.7**
Correction of classification of computer equipment (note 31.4)	—	31.4	—	**31.4**
Disposals	—	(114.2)	—	**(114.2)**
Foreign currency translation	12.7	124.0	—	**136.7**
At 29 February 2008 (restated)	938.0	4 385.6	70.4	**5 394.0**
Accumulated depreciation				
At 1 March 2007	65.6	2 033.9	17.2	**2 116.7**
Disposals	—	(106.1)	—	**(106.1)**
Depreciation charge for the year	23.8	485.7	6.0	**515.5**
Continuing operations	23.8	423.7	6.0	**453.5**
Discontinued operation	—	62.0	—	**62.0**
Foreign currency translation	—	65.4	—	**65.4**
At 29 February 2008	89.4	2 478.9	23.2	**2 591.5**
Carrying value at 29 February 2008	848.6	1 906.7	47.2	**2 802.5**
Owned	848.6	1 770.1	47.2	**2 665.9**
Leased*	—	136.6	—	**136.6**
Directors' valuation of property at 29 February 2008	1 230.6			

Property with a carrying value of R582.1 million (directors' valuation – R797.9 million) is provided as security for long-term borrowings (refer to note 22).

Registers of all properties containing statutory information are available for inspection at the registered office of the Company.

*Leased equipment and vehicles secure lease liabilities disclosed in note 22.

Pick n Pay Stores Limited and its subsidiaries

	GROUP AND COMPANY 2009 Rm	2008 Rm
10. INVESTMENTS		
Unlisted shares at fair value		
Business Partners Limited	**0.2**	0.2
Total investments at 28 February	**0.2**	0.2
Directors' valuation of unlisted investments	**2.5**	2.2

		GROUP 2009	2008
11. INVESTMENT IN ASSOCIATE	**Country**	**Ownership**	Ownership
The Group has the following investment in an associate:			
TM Supermarkets (Pvt) Limited	Zimbabwe	**25%**	25%
		Rm	Rm
At 1 March		**—**	9.1
Current share of profit		**—**	—
Impairment recognised		**—**	(9.1)
At 28 February		**—**	—
Comprising:			
Cost of investment		**5.0**	5.0
Share of post-acquisition profits		**68.1**	68.1
Impairment recognised		**(73.1)**	(73.1)
Summary financial information of TM Supermarkets (Pvt) Limited – now presented in US dollars (comparative figures have not been provided as no meaningful US dollar amounts could be determined)		**100%**	
		US$m	
Assets		**13.3**	
Liabilities		**6.2**	
Equity		**7.1**	
Turnover		**15.2**	
Profit for the year		**1.4**	

Due to the uncertain economic, political and social climate in Zimbabwe, an annual impairment review is performed on the value of the Group's investment in TM Supermarkets (Pvt) Limited. In the prior year this investment was fully impaired down to a value of Rnil. Currently there is no evidence to support carrying this investment at a value exceeding Rnil. The Group is still unable to remit any dividends from Zimbabwe due to the lack of available foreign exchange.

		GROUP 2009 Rm	GROUP 2008 Rm
12.	**LOANS**		
	The following loans have been advanced by subsidiary companies:		
	Employees		
	Executive directors		
	At 1 March	**1.2**	0.8
	Advanced	**—**	0.6
	Repaid	**(0.4)**	(0.2)
	At 28 February	**0.8**	1.2
	Other employees	**127.6**	119.1
	Loans to participants of the share purchase scheme	**0.6**	1.3
	Total employee loans	**129.0**	121.6
	Holding company loan	**(0.4)**	(0.9)
	Total loans at 28 February	**128.6**	120.7

Loans to directors and employees are secured, bear interest at varying rates subject to a maximum rate of 8% (2008: 8%) per annum and have varying repayment terms. Loans to employees from the Employee Share Purchase Trust are payable within 10 years from the date of advance.

13. PARTICIPATION IN EXPORT PARTNERSHIPS

A subsidiary company participated in various export partnerships, whose business was the purchase and export sale of marine containers. The partnerships bought and sold such containers in terms of long-term suspensive purchase and credit sale agreements respectively, with repayment terms usually over a 10 to 15-year period.

The last trade took place in the 1999 financial year. The current balance disclosed in respect of participation in export partnerships is the remaining long-term debtor.

	2009 Rm	2008 Rm
At 28 February	**57.9**	61.5

The participation in export partnerships is measured at amortised cost using the effective interest rate method. Amortised cost is the cost of the original participation less subsequent principle repayments received, plus the cumulative amortisation of the difference between the initial amount, and the maturity amount less any written down for impairment or uncollectability.

For fair value purposes, any impairment in the amounts due to the Group by virtue of its participation in export partnerships would result in a corresponding reduction in the carrying value of the related deferred tax liability. Consequently, such impairment would have no impact on the income statement of the Group.

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2009 Rm	GROUP 2008 Rm Restated*
14. DEFERRED TAX		
The movement in deferred tax is as follows:		
At 1 March – as previously stated		151.2
Prior year adjustment (note 31.3)		(18.8)
At 1 March – as restated	**105.8**	132.4
Recognised in the income statement	**(13.0)**	(11.1)
Participation in export partnerships	**4.2**	4.7
Property, equipment and vehicles	**(27.4)**	(2.3)
Operating leases	**7.2**	7.6
Retirement benefits	**(11.4)**	(23.2)
Prepayments	**0.6**	10.0
Allowance for impairment losses	**9.1**	(3.8)
Income and expense accruals	**4.7**	0.3
Effect of change in tax rate	**—**	(4.4)
Tax effect of foreign currency translations recognised directly in equity	**7.0**	(15.5)
As previously stated		3.5
Prior year adjustment (note 31.3)		(19.0)
At 28 February	**99.8**	105.8
Comprising:		
Participation in export partnerships	**(59.5)**	(63.7)
Property, equipment and vehicles	**(48.2)**	(20.8)
Operating leases	**156.8**	149.6
Retirement benefits	**2.3**	13.7
Prepayments	**(4.2)**	(4.8)
Allowance for impairment losses	**10.7**	1.6
Income and expense accruals	**68.7**	64.0
Foreign currency translation	**(26.8)**	(33.8)
Total deferred tax asset	**99.8**	105.8
In respect of Score Supermarkets Operating Limited Group and InterFrank Group Holdings Pty Limited (Franklins) in Australia, there are approximately R211.5 million and R406.9 million respectively, of estimated tax losses available for set-off against future taxable income, for which no deferred tax assets have been raised.		
15. INVENTORY		
As previously stated		3 101.4
Prior year adjustment (note 31.2)		(72.9)
At 28 February – as restated	**3 334.5**	3 028.5
Inventory comprises:		
Merchandise for resale	**3 308.2**	3 018.7
Consumables	**26.3**	9.8
	3 334.5	3 028.5

*Please refer to note 31 for details of the restatement of prior year figures.

	GROUP 2009 Rm	GROUP 2008 Rm	COMPANY 2009 Rm	COMPANY 2008 Rm
16. TRADE AND OTHER RECEIVABLES				
Trade and other receivables comprise:				
Trade receivables	**1 610.1**	1 178.3	**—**	—
Allowance for impairment losses	**(50.7)**	(7.6)	**—**	—
	1 559.4	1 170.7	**—**	—
Outstanding deposits	**90.3**	—	**—**	—
Prepayments	**119.8**	73.2	**—**	0.1
	1 769.5	1 243.9	**—**	0.1

	GROUP 2009 Rm	GROUP 2008 Rm
17. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents comprise:		
Cash balances	**1 221.9**	1 401.7
Bank overdraft	**(149.1)**	(738.5)
	1 072.8	663.2

The bank overdraft is secured by an unlimited suretyship given by the Company and certain subsidiary companies.

18. DISCONTINUED OPERATION

The Group has committed to the closure of its subsidiary, Score Supermarkets Operating Limited (Score). The Score stores will be closed and the property, equipment and vehicles sold. Many of the sites will be sub-let to black franchisees and will be converted into Pick n Pay Family Franchise stores. The closure of the Score operation will be predominantly complete by 28 February 2010 and will result in the discontinuation of the Score brand.

Score has been presented as a discontinued operation in the financial year to 28 February 2009 and the comparative information has been restated accordingly. Previously Score was reflected as a part of the Southern African segment within the segmental report.

The salient financial information of Score is as follows:

	GROUP	
	2009 Rm	2008 Rm
Income statement		
Revenue	**2 073.0**	2 910.3
Turnover	**2 070.8**	2 906.4
Trading expenses	**512.4**	606.4
Loss on sale of equipment and vehicles	**3.9**	—
Trading loss for the year	**123.0**	35.2
Loss for the year	**118.5**	31.3
Loss from operations	**109.4**	31.3
Losses recognised on the remeasurement of the carrying value of assets	**9.1**	—
Balance sheet		
Non-current assets	**14.3**	182.2
Intangible assets	**0.8**	1.4
Property, equipment and vehicles	**—**	177.0
Loans	**2.4**	3.8
Operating lease asset	**11.1**	—
Current assets	**301.7**	306.8
Inventory	**157.2**	266.3
Trade and other receivables	**20.4**	15.1
Cash and cash equivalents	**61.5**	25.4
Assets held for sale*	**62.6**	—
Total assets	**316.0**	489.0
Equity		
Capital and reserves	**(12.3)**	85.1
Non-current liabilities		
Operating lease liability	**55.8**	54.9
Current liabilities	**272.5**	349.0
Trade and other payables	**271.9**	348.9
Tax	**0.6**	0.1
Total equity and liabilities	**316.0**	489.0
Cash flow statement		
Net cash (used in)/from operating activities	**(56.1)**	8.5
Net cash from/(used in) investing activities	**68.9**	(9.3)
Net cash from financing activities	**—**	—
Inter-company rental and interest eliminated on consolidation	**23.3**	—
Net increase/(decrease) in cash and cash equivalents	**36.1**	(0.8)

*Assets held for sale include fixed assets only. All other assets and liabilities will be received and paid in the ordinary course of trade.

	GROUP AND COMPANY 2009 Rm	2008 Rm
19. SHARE CAPITAL		
Authorised		
800 000 000 ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
506 133 882 ordinary shares of 1.25 cents each	**6.3**	6.3
The movement in the number of shares in issue during the year is as follows:	**Number of shares 000's**	Number of shares 000's
At 1 March	**506 133.9**	486 133.9
Shares issued on conversion of debentures	**—**	20 000.0
At 28 February	**506 133.9**	506 133.9
Number of shares in issue at 28 February is made up as follows:		
Treasury shares held in the share trust (note 20.2)	**7 614.6**	9 723.7
Treasury shares held in a subsidiary company (note 20.2)	**25 736.6**	25 736.6
	33 351.2	35 460.3
Shares held outside the Group	**472 782.7**	470 673.6
At 28 February	**506 133.9**	506 133.9

92.6 million of the unissued shares remain under the control of the directors until the next annual general meeting.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Refer to note 4.1 for details of share options granted by the Group.

For directors' interests in shares, refer to note 3.3.

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2009 Rm	2008 Rm
20. TREASURY SHARES		
20.1 Treasury shares comprise Pick n Pay Stores Limited and Pick n Pay Holdings Limited shares held by subsidiary companies and the share trust.		
At 1 March	**814.3**	630.2
Share repurchases	**21.6**	299.6
Take-up of share options by employees	**(92.3)**	(115.5)
At 28 February	**743.6**	814.3
Comprises:		
Pick n Pay Stores Limited shares	**689.2**	759.9
Pick n Pay Holdings Limited shares	**54.4**	54.4

	Number of shares 000's	Number of shares 000's
20.2 The movement in the number of treasury shares held is as follows:		
Pick n Pay Stores Limited		
At 1 March	**35 460.3**	30 138.2
Shares purchased during the year	**576.9**	8 336.4
Shares sold during the year pursuant to the take-up of share options by employees	**(2 686.0)**	(3 014.3)
At 28 February	**33 351.2**	35 460.3
Comprises:		
Shares held by share trust	**7 614.6**	9 723.7
Shares held by a subsidiary company	**25 736.6**	25 736.6
Average purchase price of shares purchased during the year	**R33.45**	R35.09
Average purchase price of shares held at year-end	**R20.66**	R21.43
Pick n Pay Holdings Limited		
At 1 March	**12 908.6**	16 300.5
Shares purchased during the year	**330.4**	650.6
Shares sold during the year, pursuant to the take-up of share options by employees	**(1 112.3)**	(4 042.5)
At 28 February	**12 126.7**	12 908.6
Comprises:		
Shares held by share trust	**10 418.5**	11 228.3
Shares held by a subsidiary company	**1 708.2**	1 680.3
Average purchase price of shares purchased during the year	**R13.92**	R15.22
Average purchase price of shares held at year-end	**R4.49**	R4.21

	COMPANY 2009 Rm	2008 Rm
21. INTEREST IN SUBSIDIARIES		
21.1 Investment in subsidiaries		
Shares at cost		
Trading	**37.5**	37.5
Guardrisk Insurance Company Limited "A122 ordinary shares"		
Pick n Pay Retailers (Pty) Limited		
Pick n Pay Garages (Pty) Limited		
Pick n Pay Franchise Financing (Pty) Limited		
The Pick n Pay Employee Share Purchase Trust		
Raymond Ackerman Holdings Limited		
Property owning	**0.5**	0.5
Alstar (Pty) Limited		
Carrefour (Pty) Limited		
Pick n Pay (Bellville) (Pty) Limited		
Pick n Pay (Mitchells Plain) Limited		
Pick n Pay (Newton Park) (Pty) Limited		
Pick n Pay (Steelpark) (Pty) Limited		
Pick n Pay Wholesalers (Pty) Limited		
Pick n Pay Wholesalers (Transvaal) (Pty) Limited		
Dormant companies	**0.3**	0.3
Total investment in subsidiaries	**38.3**	38.3
21.2 Amount owing by a subsidiary company		
At 1 March	**224.9**	161.8
(Amounts received)/advances made during the year	**(5.4)**	63.1
At 28 February	**219.5**	224.9
The loan is unsecured, bears interest at rates determined from time to time and is repayable on 13 months' notice.		
Total interest in subsidiaries	**257.8**	263.2
Investments held by other Group subsidiaries:		
Pick n Pay (Gabriel Road) (Pty) Limited		
Pick n Pay Namibia (Pty) Limited (registered in Namibia)		
Pick n Pay (Steeledale) (Pty) Limited		
Boxer Holdings (Pty) Limited		
Boxer Superstores (Pty) Limited		
Boxer Fresh Meats (Pty) Limited		
Mfolozi Properties (Pty) Limited		
KwaZulu Cash & Carry (Pty) Limited		
InterFrank Group Holdings Pty Limited (registered in Australia)		
Franklins Pty Limited (registered in Australia)		
Franklins Supermarkets Pty Limited (registered in Australia)		
Fresco Supermarket Holdings Pty Limited (registered in Australia)		
Score Supermarkets Operating Limited		
Score Supermarkets (Trading) (Pty) Limited		
Score Supermarkets (Botswana) (Pty) Limited (registered in Botswana)		
Score Supermarkets (Southern Africa) (Pty) Limited (registered in Botswana)		
Score Supermarkets (Swaziland) Limited (registered in Swaziland)		
All companies are 100% held and registered in South Africa except where indicated. A comprehensive list of Group subsidiaries is available on request at the registered office of the Company.		
The attributable earnings of subsidiaries, excluding intercompany dividends	**1 168.4**	968.2
The attributable losses of subsidiaries	**(118.5)**	(31.3)

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2009 Rm	GROUP 2008 Rm
22. LONG-TERM DEBT		
Finance leases	**135.1**	132.1
Secured loans in respect of leased vehicles with carrying value of R130.5 million (2008: R117.5 million) (note 9) held under finance lease agreements bearing interest at prime bank rate less 2% and payable monthly in arrears over a four-year period.	**127.2**	113.0
Secured loans in respect of leased equipment with carrying value of R7.9 million (2008: R19.1 million) (note 9) held under finance lease agreements bearing interest at a current average rate of 10.99% and payable monthly in arrears over a five-year period.	**7.9**	19.1
Other debt	**581.3**	585.6
Secured loan in respect of property with a book value of R82.5 million (2008: R85.9 million) (note 9) bearing interest at a fixed rate of 11.4% and payable monthly in arrears over a 15-year period, ending on 28 October 2018.	**81.3**	85.6
Secured loan raised to fund property development. The loan is secured by property with a book value of R499.6 million (2008: R509.1 million) (note 9) bearing interest at a fixed rate of 8.8%. Interest is payable every six months in arrears. The capital is repayable on 29 June 2012.	**250.0**	250.0
Unsecured loan raised to fund property development. The loan bears interest at a fixed rate of 9.6%. Interest is payable every six months in arrears. The capital is repayable on 1 June 2012.	**250.0**	250.0
Total debt at 28 February	**716.4**	717.7
***Less:* Short-term debt (repayable within one year)**	**(38.3)**	(36.4)
Long-term debt (repayable after one year)	**678.1**	681.3
At 28 February 2009 finance lease rentals are payable as follows:		
Within 1 year		
Capital repayments	**39.7**	32.1
Interest	**14.3**	14.3
Cash flows	**54.0**	46.4
Within 2 to 5 years		
Capital repayments	**95.4**	100.0
Interest	**17.8**	19.4
Cash flows	**113.2**	119.4
Total cash flows	**167.2**	165.8
Comprising:		
Capital	**135.1**	132.1
Interest	**32.1**	33.7

23. RETIREMENT BENEFITS

The Group has four retirement schemes, covering:

Score Supermarkets Trading (Pty) Limited

Boxer Superstores (Pty) Limited

InterFrank Group Holdings Pty Limited

Pick n Pay Retailers (Pty) Limited

23.1 Score Supermarkets Trading (Pty) Limited

Score Supermarkets has its own defined-contribution provident funds, one for Botswana employees and the South African fund for all other employees. Employees who are union members have the choice to join the SACCAWU National Provident Fund.

Membership of Score provident funds	1 258
Membership of SACCAWU National Provident Fund	286

The Score provident funds are administered by Alexander Forbes Consultants and Actuaries, who also provide consulting and actuarial services. All the Score South African fund assets are managed by Investment Solutions and the Botswana assets by Investec Asset Management (Botswana).

All funds are defined-contribution funds.

As the stores are either converted to Pick n Pay franchises or Boxer stores or sold to independent operators, the members of the Score funds are transferred to the appropriate fund operated by their new employer. To date, 61 of the 125 stores have transferred, sold or closed and it is expected that by the end of 2010 no members will remain on the Score funds.

23.2 Boxer Superstores (Pty) Limited

Employees of Boxer are members of their own provident funds.

A	Name of fund	Boxer Superstores (Pty) Limited Provident Fund
	Number of members	3 966
	Administrator	Old Mutual

This is the main Boxer retirement plan and is a defined-contribution contributory provident fund. There are eight Trustees and two alternate Trustees. Members elect half the Trustees with the Company appointing the other half. Trustee meetings are held quarterly. Benefits from the fund include Group Life and Disability cover.

B	Name of fund	SACCAWU National Provident Fund
	Number of members	649
	Administrator	Old Mutual

This is a defined-contribution contributory provident fund. Union members may elect to join this fund on commencement of employment at Boxer. The company does not play any role in the running or administration of this fund, or the election of Trustees.

C	Name of fund	Personal Provident Fund
	Number of members	52
	Administrator	Momentum Administration Services

This is a defined-contribution contributory provident fund for senior management of the company. This is an umbrella fund with independently appointed Trustees. An internal advisory committee made up of two members elected and two company appointed participants deals with matters pertaining to the Boxer members.

23.3 InterFrank Group Holdings Pty Limited (Franklins)

In terms of Australian legislation employers are required to contribute 9% of employees' gross salaries to a superannuation fund of each employee's choice. If employees do not specify a superannuation fund of choice, contributions must be made on behalf of the employee to a fund selected by the company. Franklins provides its employees with a choice of two funds:

A The InterFrank Superannuation Fund

This fund is for all corporate, head office and other non-retail employees. It is underwritten by AMP Life Limited as part of their Custom Super Plan. Approximately 224 employees are members of this Scheme.

B The Retail Industry Superannuation Fund

This fund is for all employees covered by the Enterprise Bargaining Agreement. Approximately 4 267 employees are members of this fund.

Both funds are defined-contribution and non-contributory.

Nine employees have opted for their contributions to be made by Franklins on their behalf to complying superannuation funds of their choice.

Franklins has no other liability as regards retirement funding and there is no medical aid nor post-retirement medical aid liability. Medical aid is taken care of by the Federal Government Medicare Scheme and personal compulsory top-up arrangements.

23. RETIREMENT BENEFITS *(continued)*

23.4 Pick n Pay Retailers (Pty) Limited (Pick n Pay)

The Pick n Pay Retirement Scheme comprises two separate funds, the Pick n Pay Non-contributory Provident Fund and the Pick n Pay Paid-up Pension Fund.

The Pick n Pay Retirement Scheme is defined-contribution in nature. However, certain members were guaranteed that should their defined-contribution benefit be less than their previous defined-benefit guarantee (under the previous Pick n Pay Retirement Fund) they would retain the former. Due to this guarantee, and the fact that the pensioners are also paid by this scheme, the scheme's liabilities may be broken down between those which are defined-contribution in nature and those which are defined benefit and for which the employer has an obligation to make additional contributions to ensure this element of the scheme is fully funded.

Pick n Pay contributes a total of 16.48% of salary towards the defined-contribution benefits offered to the members of the scheme. Out of this, 12.77% is allocated towards retirement savings and the balance, 3.71%, is allocated towards the reinsurance of death benefits, disability benefits and fund expenses. A further 0.86% of salary is contributed towards funding the guarantees outlined above.

There are 17 222 members of the Pick n Pay Retirement Scheme and 1 087 pensioners.

Retirement defined-benefit

Executive members of the previous Pick n Pay Retirement Fund are guaranteed that the capital value of their benefit at normal retirement date will not be less than that which they enjoyed under that fund. A defined-benefit obligation arises in this regard.

Post-retirement medical benefits

Members who joined the Pick n Pay Medical Scheme prior to 1 January 1997 will receive an additional pension on retirement to assist with post-retirement medical scheme contributions. Some of the members have already retired and are in receipt of a post-retirement medical pension. The full obligation for both active members and retirees is provided for in the financial statements. There is no subsidy for members who joined the Pick n Pay Medical Scheme after 1 January 1997.

Benefit fund

There was a separate benefit fund to pay any disability benefit sanctioned by the trustees. The fund has been reinsured on a 100% profit share basis and hence the employer is required to make additional contributions to ensure this fund is fully funded at all times. Effective 1 January 2009, the benefit fund has been outsourced to an insurer.

Advisors

The Pick n Pay Retirement Scheme is administered by NMG Consultants and Actuaries Administrators. The consultants and actuaries are NMG Consultants and Actuaries. The investment advisor is Fifth Quadrant Actuaries and Consultants.

SACCAWU National Provident Fund

The SACCAWU Fund is administered by Old Mutual and is currently under curatorship. Employees, who are union members, have a choice of joining this fund instead of the Pick n Pay Retirement Scheme when they commence employment. There are 20 248 employees who have elected to join this fund.

		GROUP					
		Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Benefit fund Rm	**Total obligation 2009 Rm**	Total obligation 2008 Rm
23.	**RETIREMENT BENEFITS** *(continued)*						
23.5	**The Pick n Pay Retirement Scheme Defined-benefit obligations**						
	The amount recognised in the balance sheet is as follows:						
	Present value of funded obligations	302.8	570.2	75.6	26.9	**975.5**	968.9
	Fair value of assets	(335.6)	(542.9)	(75.6)	(49.9)	**(1 004.0)**	(945.3)
	Funded position	(32.8)	27.3	—	(23.0)	**(28.5)**	23.6
	Unrecognised actuarial gain	13.7	—	—	23.0	**36.7**	25.4
		(19.1)	27.3	—	—	**8.2**	49.0
	Amounts recognised in the income statement are as follows:						
	Current service cost	—	23.9	1.7	5.1	**30.7**	62.7
	Interest on the obligation	23.4	47.1	11.9	2.4	**84.8**	75.8
	Expected return on the plan assets	(27.3)	(52.5)	(13.7)	(4.9)	**(98.4)**	(67.0)
	Net actuarial (gains)/losses recognised	(15.2)	20.5	(0.6)	4.3	**9.0**	(46.1)
	Total included in employee costs	(19.1)	39.0	(0.7)	6.9	**26.1**	25.4
	Cumulative unrecognised gains/(losses):						
	Net cumulative unrecognised gain/(loss) – 1 March	—	6.2	—	19.2	**25.4**	9.5
	Actuarial gain/(loss) – obligation	23.7	(9.6)	8.2	2.9	**25.2**	(57.9)
	Actuarial gain/(loss) – assets	5.2	(17.1)	(7.6)	(3.4)	**(22.9)**	119.9
	Actuarial gain/(loss) to be recognised	(15.2)	20.5	(0.6)	4.3	**9.0**	(46.1)
	Net cumulative unrecognised gain – 28 February	13.7	—	—	23.0	**36.7**	25.4
	In terms of IAS 19, the Group has not recognised the excess assets in the benefit fund.						
	Movement in the liability recognised on the balance sheet is as follows:						
	Net liability – 1 March	—	49.0	—	—	**49.0**	129.0
	Net expense in the income statement	(19.1)	39.0	(0.7)	6.9	**26.1**	25.4
	Contributions	—	(60.7)	0.7	(6.9)	**(66.9)**	(105.4)
	Net liability – 28 February	(19.1)	27.3	—	—	**8.2**	49.0

Pick n Pay Stores Limited and its subsidiaries

GROUP

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Benefit fund Rm	**Total obligation 2009 Rm**	Total obligation 2008 Rm
23. RETIREMENT BENEFITS *(continued)*						
23.5 The Pick n Pay Retirement Scheme						
Defined-benefit obligations *(continued)*						
Movement in the fund's obligations and plan assets recognised on the balance sheet is as follows:						
Change in liability						
Liability – 1 March	216.9	534.2	191.4	26.4	**968.9**	850.4
Service cost	—	23.9	1.7	5.1	**30.7**	62.7
Interest cost	23.4	47.1	11.9	2.4	**84.8**	75.8
Actuarial (gain)/loss	(23.7)	9.6	(8.2)	(2.9)	**(25.2)**	57.9
Benefits paid	86.2	(44.6)	(121.2)	(4.1)	**(83.7)**	(77.9)
Liability – 28 February	302.8	570.2	75.6	26.9	**975.5**	968.9
Change in plan assets						
Plan assets – 1 March	216.9	491.4	191.4	45.6	**945.3**	730.9
Expected return	27.3	52.5	13.7	4.9	**98.4**	67.0
Actuarial gain	5.2	(17.1)	(7.6)	(3.4)	**(22.9)**	119.9
Contributions by employer	—	60.7	(0.7)	6.9	**66.9**	105.4
Benefits paid	86.2	(44.6)	(121.2)	(4.1)	**(83.7)**	(77.9)
Plan assets – 28 February	335.6	542.9	75.6	49.9	**1 004.0**	945.3
	%	%	%	%	**%**	%
Actuarial return on plan assets	11.8	6.8	4.5	3.1	**7.7**	35.6
Asset mix						
Equity	62.8	62.8	62.8	56.5	**62.5**	71.0
Fixed interest	32.3	32.3	32.3	43.5	**32.9**	21.4
Property	4.9	4.9	4.9	—	**4.6**	7.6
	100.0	100.0	100.0	100.0	**100.0**	100.0

The principal actuarial assumptions at the last valuation date are:	**1 June 2008 % per annum**	1 June 2007 % per annum
Discount rate	**9.00**	9.00
Future salary increases	**6.34**	6.32
Future pension increases	**5.00**	5.00
Annual increase in healthcare costs	**8.30**	8.30
Expected rate of return*	**10.50**	10.50

At 28 February 2009, if the discount rate had been 1% higher or 1% lower (with all other variables held constant), the impact on the financial statements would have been as follows:

	8%	As reported 9%	10%
Income statement			
Expense/(income) included in employee costs	R82.6	R26.1m	(R3.3m)
Balance sheet			
Obligation/(asset) at 28 February 2009	R64.5m	R8.2m	(R21.4m)

*The expected rate of return on plan assets was determined by assuming that the fixed interest assets would earn a return equal to the discount rate of 9.00%, with a further 2.25% risk premium applied to the equities and property, giving a weighted average return of 10.50% based on the current asset allocation.

	GROUP	
	Defined-contribution benefits 2009 Rm	Defined-contribution benefits 2008 Rm
23. RETIREMENT BENEFITS *(continued)*		
23.5 The Pick n Pay Retirement Scheme		
Defined-benefit obligations *(continued)*		
Current contributions	**265.8**	250.9
Continuing operations	**249.6**	222.6
Discontinued operation	**16.2**	28.3
In the prior year an amount of R33.6 million in respect of risk benefit premium and expenses has now been allocated to defined contribution members. This is in-line with current year allocations.		
24. OPERATING LEASES		
The Group has entered into various operating lease agreements in respect of premises. Leases on premises are contracted for periods of between 10 and 20 years with renewal options for a further 10 to 20 years. Rentals comprise minimum monthly payments and additional payments based on turnover levels. Turnover rentals, where applicable, average 1.5% of turnover. Rental escalations vary but average 6.5% per annum. In terms of IAS 17, operating leases with fixed rental escalations are charged to the income statement on a straight-line basis. This results in the raising of a liability for future lease expenses and an asset for future lease income on the balance sheet. This liability and asset is reversed during the latter part of each lease term when the actual cash flow exceeds the income statement amounts.		
24.1 Operating lease asset		
At 1 March	**10.9**	5.9
Accrual for future lease income	**8.4**	5.0
At 28 February	**19.3**	10.9
At 28 February future minimum rentals receivable from non-cancellable sublease contracts amount to:		
Total future cash flows	**673.8**	248.0
Operating lease asset	**(19.3)**	(10.9)
Total operating lease income receivable	**654.5**	237.1
24.2 Operating lease liability		
At 1 March	**626.9**	584.3
Accrual for future lease expenditure	**31.6**	42.6
At 28 February	**658.5**	626.9
At 28 February future non-cancellable minimum lease rentals are payable during the following financial years:		
Cash flow due in 2010	**709.5**	772.2
Creation of lease liability	**25.5**	25.5
Income statement expense	**735.0**	797.7
Cash flow due in 2011 – 2014	**2 752.3**	2 957.8
Reversal of lease liability	**(107.9)**	(112.8)
Income statement expense	**2 644.4**	2 845.0
Cash flow due after 2014	**3 413.1**	3 529.2
Reversal of lease liability	**(576.1)**	(539.6)
Income statement expense	**2 837.0**	2 989.6
Total operating lease commitments	**6 216.4**	6 632.3
Comprising:		
Total future cash flows	**6 874.9**	7 259.2
Operating lease liability	**(658.5)**	(626.9)

Pick n Pay Stores Limited and its subsidiaries

		GROUP		COMPANY	
		2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
25.	**TRADE AND OTHER PAYABLES**				
	Trade and other payables comprise:				
	Leave pay obligations	**270.1**	265.1	**—**	—
	Trade and other creditors	**6 991.3**	5 877.9	**1.9**	1.8
	VAT	**51.8**	65.9	**—**	—
	Non-derivative trade and other payables	**7 313.2**	6 208.9	**1.9**	1.8
	Fair value of outstanding forward exchange contracts	**2.6**	0.3	**—**	—
		7 315.8	6 209.2	**1.9**	1.8
26.	**COMMITMENTS**				
	All capital expenditure will be funded from internal cash flow and through non-specific borrowing facilities obtained from various financial institutions.				
	Authorised capital expenditure				
	Contracted for				
	Property	**—**	187.0		
	Equipment and vehicles	**105.7**	224.8		
	Intangible assets	**40.2**	36.3		
	Not contracted for				
	Property	**120.0**	—		
	Equipment and vehicles	**1 169.5**	835.7		
	Intangible assets	**13.0**	—		
	Total commitments	**1 448.4**	1 283.8		

27. SEGMENTAL REPORT

GROUP

The Group is organised into two geographic segments, which is the basis on which primary segment information is reported. The segments are as follows:

Southern African operations

Australian operations

The financial information presented below does not include Score Supermarkets (Pty) Limited which has been accounted for as a discontinued operation. In prior years, Score was included as part of the southern Africa segment.

Financial information pertaining to the geographic segments for continuing operations is as follows:

	Southern Africa		Australia		Total	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
Segment revenue	**44 256.2**	37 703.7	**5 879.6**	4 973.5	**50 135.8**	42 677.2
Turnover	**43 991.1**	37 506.9	**5 871.0**	4 967.4	**49 862.1**	42 474.3
– Australian dollars			**849.5**	820.8		
Segment result						
Operating profit before interest*	**1 745.5**	1 550.2	**24.9**	14.1	**1 770.4**	1 564.3
– Australian dollars			**3.6**	2.3		
Included in segment result:						
Depreciation and amortisation	**(518.4)**	(404.8)	**(97.4)**	(77.1)	**(615.8)**	(481.9)
Share options expense	**(59.1)**	(45.2)	**—**	—	**(59.1)**	(45.2)
Net operating lease obligations	**(33.4)**	(31.5)	**—**	—	**(33.4)**	(31.5)
Goodwill, included in total assets	**137.1**	137.1	**654.7**	720.4	**791.8**	857.5
Total assets, net of deferred tax	**8 373.7**	6 723.9	**1 786.3**	1 874.4	**10 160.0**	8 598.3
Total liabilities, net of tax	**7 700.5**	6 463.9	**670.7**	735.1	**8 371.2**	7 199.0
Capital expenditure	**816.1**	769.5	**186.4**	82.4	**1 002.5**	851.9
Cash flows from operating activities	**1 221.1**	225.0	**87.4**	212.3	**1 308.5**	437.3
Cash flows used in investing activities	**(746.0)**	(781.3)	**(164.6)**	(31.9)	**(910.6)**	(813.2)
Cash flows (used in)/from financing activities	**(48.8)**	320.5	**57.2**	(10.2)	**8.4**	310.3

*Australia includes a net profit on sale of assets of R1.4 million (2008: R42.6 million).

Pick n Pay Stores Limited and its subsidiaries

28. RELATED PARTY TRANSACTIONS

Transactions between Group subsidiaries

During the year, in the ordinary course of business, certain companies within the Group entered into transactions with each other. These intra-group transactions have been eliminated on consolidation.

Directors

Two directors of the Company hold positions in related entities where they may have significant influence over the financial or operating policies of those entities. The following are considered to be such entities:

Director	Entity	Position held in entity
Dennis Cope	Pick n Pay Retirement Scheme	Trustee
	Pick n Pay Medical Scheme	Trustee
Hugh Herman	Investec Limited	Non-executive chairman

Except for certain administrative costs carried by a subsidiary company on behalf of the Pick n Pay Retirement Scheme and the Pick n Pay Medical Scheme, transactions between the Group and these entities have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

Related party transactions include:

i) The Pick n Pay Retirement and Medical Schemes administer the Company's retirement and medical plans respectively.
ii) Subsidiary companies of Investec Limited manage cash resources and assets on behalf of Group companies, the Pick n Pay Retirement Scheme and the Pick n Pay Medical Scheme.

Certain non-executive directors of the Group are also non-executive directors of other public companies which may transact with the Group. Except as disclosed above, the relevant directors do not believe they have significant influence over the financial or operating policies of those companies. Those entities are not disclosed above.

Shares held by directors

The percentage shares held by directors of the Company at the balance sheet date is disclosed in the directors' report on page 57. For further information refer to note 3.3.

Loans to executive directors

Loans to directors amount to R0.8 million at 28 February 2009, are secured and bear interest at varying interest rates. For further information refer to note 12.

Key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the Group. No key management personnel had a material interest in any contract of any significance with any Group company during the year under review.

Key management personnel remuneration comprises:

	GROUP	
	2009 R'000	2008 R'000
Directors' fees	1 986.0	3 107.5
Remuneration for management services	18 362.3	18 164.2
Retirement and medical aid contributions	2 525.2	3 031.9
Performance bonus	9 955.0	4 855.0
Fringe and other benefits	2 983.2*	1 419.5
	35 811.7	30 578.1
Expense relating to share options granted	7 543.9	8 501.0
Total cost to Company	43 355.6	39 079.1

*Includes an amount of R1 488.1 in respect of an early retirement settlement.

The Company has the following related party transactions:

i) Dividends received from subsidiary companies and paid to its holding company.
ii) Interest received from a subsidiary company.
iii) Loan advanced to a subsidiary company.

29. FINANCIAL INSTRUMENTS

OVERVIEW

The Company and Pick n Pay Holdings Limited have no significant exposure to risk in respect of financial instruments, as their only financial asset is a loan to a subsidiary company.

The Group has exposure to the following risks arising from its financial instruments:

Credit risk
Liquidity risk
Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's objective is to effectively manage each of the above risks associated with its financial instruments, in order to limit the Group's exposure as far as possible to any financial loss associated with these risks.

The board is ultimately responsible and accountable for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks. The board has established the Audit, Risk and Compliance committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit, Risk and Compliance committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The committee is assisted in this regard by Group Risk and Assurance Services (internal audit). Group Risk and Assurance Services undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit, Risk and Compliance committee.

29.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of investments, loans, participation in export partnerships, trade receivables and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 28 February was:

	GROUP	
	2009 Rm	2008 Rm
Investments (note 10)	**0.2**	0.2
Loans (note 12)	**128.6**	120.7
Participation in export partnerships (note 13)	**57.9**	61.5
Trade receivables (note 16)	**1 559.4**	1 170.7
Cash and cash equivalents (note 17)	**1 221.9**	1 401.7
	2 968.0	2 754.8

Investments

The Group has no material investments and therefore there is currently no significant credit risk from these instruments.

Loans

Loans to employees are granted and managed in accordance with strict regulations laid down by the Human Resources Division, governing the size of the loan which may be granted and the associated interest rate and repayment terms. Before a loan is granted, it is first established that the employee is able to afford the monthly repayment terms. Where appropriate, the Group obtains suitable forms of security when granting loans. Repayments are deducted directly from the employee's monthly salary.

There are no loan balances which exceed repayment terms. The Group considers all loan balances to be recoverable and therefore no impairment provision is required.

29. FINANCIAL INSTRUMENTS *(continued)*

29.1 Credit risk *(continued)*

Participation in export partnerships

A company listed on the JSE Limited has warranted certain important cash flow aspects of the Group's participation in export partnerships. The Group's directors have considered the credit risk relating to these aspects warranted and have satisfied themselves as to the credit worthiness of the warrantor company.

Trade receivables

Trade receivables are amounts owing by franchisees and are presented net of impairment losses.

The Group obtains various forms of security from its franchise debtors, including bank guarantees, notarial bonds over inventory and moveable assets and suretyships from shareholders. The total credit risk with respect to receivables from franchise debtors is further limited as a result of the dispersion amongst the individual franchisees and across different geographic areas. Accordingly, the Group has no significant concentration of credit risk.

	GROUP	
	2009 Rm	2008 Rm
The ageing of trade receivables at 28 February was:		
Trade receivables not impaired		
Within payment terms	**1 441.9**	935.6
Exceeding payment terms by less than 14 days	**25.1**	216.0
Exceeding payment terms by more than 14 days	**7.5**	1.5
	1 474.5	1 153.1
Trade receivables with impairments		
Within payment terms	**72.2**	13.5
Exceeding payment terms by less than 14 days	**10.8**	5.6
Exceeding payment terms by more than 14 days	**52.6**	6.1
	135.6	25.2
Total trade receivables	**1 610.1**	1 178.3
Allowance for impairment losses	**(50.7)**	(7.6)
Total trade receivables net of allowance for impairment	**1 559.4**	1 170.7
The movement in the allowance for impairment of trade receivables during the year was as follows:		
At 1 March	**7.6**	24.9
Irrecoverable debts written off	**—**	(4.5)
Additional impairment losses recognised	**45.1**	6.2
Prior allowances for impairment reversed	**(2.0)**	(19.0)
At 28 February	**50.7**	7.6

The Group makes allowance for specific trade debtors which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. More than 90% of the balance relates to customers that have an excellent credit history with the Group.

Impairment losses are recorded in the allowance account until the Group is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off against the financial asset directly.
There is currently no allowance for impairment against any other class of financial asset.

Cash and cash equivalents

The Group's cash is placed with major South African and international financial institutions of high credit standing and within specific guidelines laid down by the Group's Treasury committee and approved by the board. The Treasury committee is appointed by the board and comprises executive directors and senior executives. Consequently, the Group does not consider there to be any significant exposure to credit risk.

29. FINANCIAL INSTRUMENTS *(continued)*

29.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity, is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

One of the core founding principles of the Group is to maintain strong cash balances, not only to meet current financial obligations, but in order to be able to buy inventory forward on a rising market.

Adequate liquidity is further managed through the use of cash flow forecasts and by the maintenance of adequate borrowing facilities. In terms of its Articles of Association, the Company's borrowing powers are unlimited. However, the Treasury committee maintains strict control over the acceptance and draw-down of any loan facility.

At 28 February the Group's loan facilities comprised:

	GROUP	
	2009 Rm	2008 Rm
Total borrowing facilities granted by financial institutions	**4 471.2**	4 096.2
Total actual borrowings and utilisation of facilities	**(1 013.0)**	(935.6)
Unutilised borrowing facilities	**3 458.2**	3 160.6

On average, trade receivables and inventory are realised within 30 days and trade payables are settled within 45 days. To the extent that the Group requires short-term funds, it utilises the banking facilities available.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Group – 2009	**Carrying amount Rm**	Contractual cash flows Rm	Within 1 year Rm	2 to 5 years Rm	Over 5 years Rm
Non-derivative financial liabilities					
Secured bank loans – note 22	**331.3**	461.6	35.8	360.9	64.9
Unsecured bank loans – note 22	**250.0**	334.5	24.0	310.5	—
Finance lease liabilities – note 22	**135.1**	167.2	54.0	113.2	—
Trade and other payables – note 25	**7 313.2**	7 313.2	7 313.2	—	—
Bank overdrafts – note 17	**149.1**	149.1	149.1	—	—
Derivative financial liabilities					
Forward exchange contracts – note 25	**2.6**	2.6	2.6	—	—
Total financial liabilities	**8 181.3**	8 428.2	7 578.7	784.6	64.9

29. FINANCIAL INSTRUMENTS *(continued)*

29.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

Currency risk

The Group is exposed to foreign currency risk through the importation of merchandise. This risk is covered by entering into forward exchange contracts. These contracts are matched with anticipated future cash outflows in foreign currencies. The forward exchange contracts are taken out when an order is placed with a foreign supplier. The Group does not use forward foreign exchange contracts for speculative purposes and does not apply cash flow hedge accounting.

The fair value of forward exchange derivative contracts was R2.6 million. This has been recognised as an expense in the income statement and is reflected as a part of trade and other payables.

As all foreign purchases are covered with forward exchange contracts, any fluctuations in foreign exchange rates will have no significant impact on the Group.

In relation to the participation in export partnerships, a fixed rate of exchange was set for the purposes of converting the foreign currency receipts in respect of the partnership's sales into SA rands. Any exchange differences are for the account of the managing partner of the partnerships and will have no impact on the earnings of the Group.

Interest rate risk

The Group manages the interest rate risk on long-term borrowings by fixing the interest rate with the relevant financial institution, wherever possible.

The effective rates on financial instruments at 28 February 2009 are:

	Weighted average interest rate %	Maturity of interest-bearing assets/liabilities: 1 year or less Rm	2 to 5 years Rm	Over 5 years Rm	**Total Rm**
Financial assets					
Cash and cash equivalents	9.0	1 221.9	—	—	**1 221.9**
Loans	2.3	17.8	71.2	39.6	**128.6**
Total financial assets		1 239.7	71.2	39.6	**1 350.5**
Financial liabilities					
Fixed-rate interest-bearing debt					
Bank loans	9.5	4.5	525.6	51.2	**581.3**
Variable-rate interest-bearing debt					
Finance leases	12.4	39.7	95.4	—	**135.1**
Total financial liabilities		44.2	621.0	51.2	**716.4**

At 28 February 2009, if interest rates at that date had been 100 basis points higher or lower, with all other variables held constant, profits would have decreased or increased by R1.4 million.

Market price risk

The Group currently has no investment in equity securities and therefore has no exposure to market price risk.

Fair value

At 28 February 2009 the carrying amounts of cash and cash equivalents, trade receivables and trade and other payables approximate their fair values due to their short-term maturities. Trade receivables and payables will mature within 30 to 60 days. The fair value of loans, investments and interest-bearing debt approximate their carrying value as disclosed on the balance sheet.

Participation in export partnerships – refer to note 13.

29. FINANCIAL INSTRUMENTS *(continued)*

29.4 Capital management

The board considers working capital management critical to the business, and in doing so, manages the balance between current assets and current liabilities.

One of the core principles of the Group is to maintain strong cash balances in order to buy inventory forward on a rising market.

From time to time the Group purchases its own shares on the market, the timing of these purchases depends on market prices. All share purchases are intended to cover the issue of shares under the Group's share option schemes.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE YEARS

International Financial Reporting Standards (IFRS)

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2009, and have not been applied in preparing these consolidated financial statements. Those standards and interpretations which are applicable to the Group are presented below.

IAS 1: Presentation of Financial Statements

This standard introduces new requirements in respect of the presentation of financial statements.

All non-owner changes in equity will be presented in a single statement of comprehensive income (which will include the current income statement) and owner changes in equity in the statement of changes in equity.

Reclassification adjustments and income tax relating to each component of other comprehensive income will be disclosed on the face of the statement of comprehensive income. Currently this relates to the foreign currency translation reserve.

This standard becomes mandatory for the Group's 2010 financial statements. The impact cannot be determined at this stage but is unlikely to be material.

IAS 23: Borrowing Costs

This standard requires a change in the accounting for borrowing costs.

All borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets must be capitalised to the cost of the asset. Currently these borrowing costs are expensed. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. The Group's existing accounting policy on borrowing costs will change as a result of the adoption of the revised IAS 23.

This standard becomes mandatory for the Group's 2010 financial statements. The impact cannot be determined at this stage but is unlikely to be material.

IAS 27 amendment: Consolidated and Separate Financial Statements

In accordance with the amendments to IAS 27, acquisitions of additional non-controlling equity interests in subsidiaries have to be accounted for as equity transactions. Disposals of equity interests while retaining control are also accounted for as equity transactions. When control of an investee is lost, the resulting gain or loss relating to the transaction will be recognised in profit and loss.

The amendments to IAS 27 also require that losses (including negative "other comprehensive income" as detailed in the revised IAS 1) have to be allocated to the non-controlling interest, even if doing so causes the non-controlling interest to be in a deficit position. The Group will in future change its accounting policies on the allocation of losses to non-controlling minority interests. In the past, losses would only have been allocated until the non-controlling interest had a zero balance (if applicable).

This standard becomes mandatory for the Group's 2011 financial statements. The impact cannot be determined at this stage.

IFRS 3: Business Combinations

IFRS 3 applies to all new business combinations that occur after 1 January 2010. For these future business combinations, the Group will change its accounting policies to be in line with the revised IFRS 3. In future all transaction costs will be expensed and any contingent purchase consideration will be recognised at fair value at acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will be recognised in profit and loss.

The revised IFRS 3 becomes mandatory for the Group's 2011 financial statements. The impact cannot be determined at this stage.

IFRS 8: Operating Segments

This standard introduces the "management approach" to segment reporting, significantly extending the scope of segmental reporting, to bring it in line with key segmented management information, used by key executives in the decision-making of the Group. Currently the Group presents segment information in respect of geographic segments only. This statement becomes mandatory for the Group's 2010 financial statements. The effect of this change is currently being researched.

31. PRIOR YEAR ADJUSTMENTS

31.1 Discontinued operation

The Group has committed to the closure of its subsidiary, Score Supermarkets Operating Limited (Score). Please refer to note 18 for further detailed information. The 2008 income statement has been restated and has been presented as if the Score operation had been discontinued from the start of the 2008 financial year.

31.2 Changes in accounting policy

The Group has reviewed its interpretation of certain principles of International Financial Reporting Standards in respect of the classification of incentive income and inventory valuation. The changes detailed below ensure reporting is consistent with the principles and guidelines of International Financial Reporting Standards.

Advertising recoveries, net of related advertising expenditure, and sales-based volume and other rebates received from suppliers, previously disclosed in "other trading income" and "trading expenses" respectively, are now included within cost of sales. This change in interpretation has had an impact on the balance sheet, with rebates received and advertising recoveries in excess of spend, now being taken into account in the valuation of inventory.

31.3 Reclassifications

a. All distribution expenditure applicable to the transport of inventory to retail outlets (including the overhead expenditure in respect of distribution centres) has been reclassified from trading expenses to cost of sales.

b. The Group has reallocated the share-based payment reserve to accumulated profits, as it is not considered necessary to show this as a separate category of equity.

c. In the prior year, an amount of R37.8 million, being the tax effect of foreign currency translations, has been reclassified from the foreign currency translation reserve to deferred tax.

31.4 Correction of error

At 28 February computer hardware assets with a cost of R31.4 million were incorrectly included as part of intangible assets (software development). This amount has been reallocated to property, equipment and vehicles and the comparative numbers restated accordingly.

31. PRIOR YEAR ADJUSTMENTS *(continued)*

Presented below are only those income statement and balance sheet items which have been impacted by the prior year adjustments.

	February 2008 as previously stated Rm	Note 31.1 Discon-tinued operation Rm	Note 31.2 Changes in accounting policy Rm	Note 31.3 Reclassifi-cations Rm	Note 31.4 Correction of error Rm	February 2008 as Restated Rm
INCOME STATEMENT						
Revenue	47 466.5	(2 950.4)	(1 838.9)			42 677.2
Turnover	45 380.7	(2 906.4)				42 474.3
Cost of merchandise sold	(37 411.0)	2 324.8	1 304.0	(434.0)		(34 216.2)
Other trading income	2 036.9	(40.1)	(1 838.9)			157.9
Interest received	48.9	(3.9)				45.0
Trading expenses	(8 515.4)	656.5	530.6	434.0		(6 894.3)
Employee costs	(4 364.5)	267.9	—	46.3		(4 050.3)
Occupancy	(1 140.3)	131.3	—	37.6		(971.4)
Operations	(1 363.7)	101.7	—	64.0		(1 198.0)
Merchandising and administration	(1 646.9)	155.6	530.6	286.1		(674.6)
Profit before tax	1 494.4	30.9	(4.3)			1 521.0
Tax	(557.6)	—	1.3			(556.3)
Profit for the year – continuing operations	936.8	(30.9)	(3.0)			964.7
Loss for the year – discontinued operation	—	(30.9)	(0.4)			(31.3)
Profit the year	936.8	—	(3.4)			933.4
BALANCE SHEET						
Intangible assets	1 187.3				(31.4)	1 155.9
Property, equipment and vehicles	2 771.1				31.4	2 802.5
Deferred Tax	143.6			(37.8)		105.8
At 1 March 2007				(18.8)		
Movement – 2008 financial year				(19.0)		
Inventory	3 101.4		(72.9)			3 028.5
Share-based payment reserve	113.2			(113.2)		—
At 1 March 2007				(68.0)		
Share options expense - 2008				(45.2)		
Accumulated profits	1 594.6		(55.0)	113.2		1 652.8
At 1 March 2007			(51.6)	68.0		
Impact on 2008 financial year			(3.4)	45.2		
Foreign currency translation reserve	412.2			(37.8)		374.4
At 1 March 2007				(18.8)		
Movement – 2008 financial year				(19.0)		
Tax	267.3		(17.9)			249.4
At 1 March 2007			(16.6)			
Tax charge – 2008			(1.3)			